CHICAGO TITLE INSURANCE COMPANY

CITY CENTER SQUARE
1100 MAIN STREET
KANSAS CITY, MISSOURI 64105

NAIC COMPANY #50229

MARKET CONDUCT EXAMINATION REPORT

AS OF DECEMBER 31, 1998

Prepared by Duane G. Rogers, esq. & J. Reuben Hamlin, esq.
independent contractors working in conjunction with the
Colorado Department of Regulatory Agencies

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Independent Contract Examiners

August 22, 2000

The Honorable William J. Kirven III
Commissioner of Insurance
State of Colorado
1560 Broadway Suite 850
Denver, Colorado 80202

Commissioner:

In accordance with §§ 10-1-203 and 10-3-1106, C.R.S., an examination of selected rating, underwriting, claims and general business practices of the title insurance business of Chicago Title Insurance Company has been conducted. The Company's records were examined at its regional headquarters located at 1875 Lawrence Street, Suite 1200, Denver, Colorado 80202.

The examination covered a one-year period from January 1, 1998 to December 31, 1998.

A report of the examination Chicago Title Insurance Company is herein respectfully submitted.

Duane G. Rogers, Esq. &
J. Reuben Hamlin, Esq.
Independent Market Conduct Examiners

MARKET CONDUCT
EXAMINATION REPORT
OF
CHICAGO TITLE INSURANCE COMPANY

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COMPANY PROFILE

Chicago Title Insurance Company, hereinafter referred to as "the Company", is a wholly owned subsidiary of Chicago Title & Trust Company, an Illinois Corporation. The Company is authorized to write title insurance coverage in Colorado and was first licensed in the State of Colorado on September 15, 1965.

The Company is engaged in the title insurance business on a nationwide basis and, is licensed as a title insurer in 49 states, Puerto Rico, the Virgin Islands and Canada. The Company's ultimate parent, Chicago Title Corporation, is a holding company for the Chicago Title & Trust Company's group of title insurers which includes the Company, Ticor Title Insurance Company, and Security Union Title Insurance Company.

On August 1, 1999, Fidelity National Financial, Inc., and Chicago Title Corporation entered into a definitive agreement providing for the merger of the Chicago Title into Fidelity for approximately $1.2 billion. Although the agreement was approved by the boards of directors of both companies, at the time of this report the transaction remained subject to the approval of both stockholders and regulatory authorities and is expected to be completed on the first quarter of the year 2000.

The Company maintains it's national headquarters in Kansas City, MO and provides title insurance nationwide through independent agents and direct operations. Underwriting review and Claims adjustment are conducted through various divisional offices located throughout the United States. Colorado underwriting operations and claims adjustment are managed through the Company's Western Division Office[1] in Pasadena, California, however, claims were administered out of Dallas, Texas during the period of the examination.

As of December 31, 1998 the Company reported $28,868,345 in direct premiums in Colorado representing 12.5% of the total Colorado title insurance market. Direct title premium in Colorado written through direct operations and affiliates totaled $17,395,241. Direct title insurance premiums written through nonaffiliated agents totaled $11,473,104.[2]

[1] The Western Divisional Office handles claims and underwriting for California, Colorado, Hawaii, Nevada, New Mexico, Utah, Wyoming, and Guam.

[2] Figure representing direct premium written provided by the Company as reported in its Schedule T of Form 9 of the Company's annual statement. Figure representing market share provided by the National Association of Insurance Commissioners (NAIC).

PURPOSE AND SCOPE OF EXAMINATION

This market conduct report was prepared by independent examiners contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law § 10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct exams. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The market conduct examination covered by this report was performed to assist the Colorado Commissioner of Insurance to meet certain statutory charges by determining Company compliance with the Colorado Insurance Code and generally accepted operating principles. Additionally, findings of a market conduct examination serve as an aid to the Division of Insurance's early warning system. The intent of the information contained in this report is to serve only those purposes.

This examination was governed by, and performed in accordance with, procedures developed by the Colorado Division of Insurance based on the National Association of Insurance Commissioners Model Procedures. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company and it s agents. The examination covers one calendar year of the Company's operations, from January 1, 1998 to December 31, 1998.

File sampling was based on review of systematically selected samples of underwriting and claims files by category. Sample sizes were chosen based on guidance from procedures developed by the National Association of Insurance Commissioners. Upon review of each file, any concerns or discrepancies were noted on comment forms. These comment forms were delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. At the conclusion of each sample, the Company was provided a summary of the findings for that sample. The report of the examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

An error tolerance level of plus or minus $10.00 was allowed in most cases where monetary values were involved, however, in cases where monetary values were generated by computer or system procedure a $0 tolerance level was applied in order to identify possible system errors.

Additionally, a $0 tolerance level was applied in instances were there appeared to be a consistent pattern of deviation from the Company's rates on file with the Colorado Division of Insurance.

This report contains information regarding exceptions to the Colorado Insurance Code. The examination included review of the following seven Company operations:

1. Advertising
2. Complaint Handling.
3. Agent Licensing.
4. Underwriting Practices.
5. Rate Application.
6. Claims Settlement Practices.
7. Financial Reporting

All unacceptable or non-complying practices may not have been discovered throughout the course of this examination. Additionally, findings may not be material to all areas which would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance of such practices. This report should not be construed to endorse nor discredit any insurance company or insurance product. Statutory cites and regulation references are as of the period under examination unless otherwise noted. Examination report recommendations which do not reference specific insurance laws, regulations, or bulletins are presented to encourage improvement of company practices and operations and ensure consumer protection. Examination findings may result in administrative action by the Division of Insurance.

EXAMINATION REPORT SUMMARY

The examination resulted in a total of nineteen issues, arising from the Company's apparent noncompliance with Colorado statutes and regulations concerning all title insurers authorized to transact title insurance business in Colorado. These nineteen issues fell into five of the seven categories of Company operations as follows:

Complaint Handling Procedures:
In the area of complaint handling, one compliance issue is addressed in this report. This issue arose from Colorado statutes and regulations which require insurers offering coverage in Colorado to adopt and implement procedures for addressing and responding to consumer complaints and requires all insurers to maintain a complete compliant register. With regard to this issue, it is recommended that the Company review its complaint handling procedures and amend those procedures to assure future compliance with applicable Colorado laws.

Underwriting Practices:
In the area of underwriting, five (5) compliance issues are addressed in this report. These issues arose from Colorado statutory and regulatory requirements which must be followed whenever title policies are issued in Colorado. The incidence of noncompliance in the area of underwriting exhibits a frequency range between 22% and 97%. With regard to these underwriting practices, it is recommended that the Company review its underwriting procedures and make the necessary changes to assure future compliance with applicable statutes and regulations as to all five issues.

Rating:
In the area of rating, five (5) compliance issues are addressed in this report. These issues arose from Colorado statutory and regulatory requirements which must be followed whenever title policies are issued in Colorado and whenever title insurers or the insurer's agents conduct real estate or loan closing and/or settlement service for Colorado consumers. The incidence of noncompliance in the area of rating demonstrates an error frequency between 8% and 71%. With regard to the five compliance issues addressed in relation to the Company's rating practices, it is recommended that the Company review its rating manuals and procedures and make the necessary changes to assure future compliance with applicable statutes and regulations as to all five issues.

Claims Practices:
In the area of claim practices, six (6) compliance issues are addressed in this report. These issues arise from Colorado statutory and regulatory requirements dealing with the fair and equitable settlement of claims, payment of claims checks, maintenance of records, timeliness of payments, accuracy of claim payment calculations, and delay of claims. The incidence of noncompliance in the area of claims practices shows a frequency range of error between 4.4% and 67%. Concerning the six compliance issues encompassing Company claims practices, it is

recommended that the Company review its claims handling procedures and make the necessary changes to assure future compliance with applicable statutes and regulations as to all six issues.

Special Financial Reporting Requirements & Miscellaneous Compliance Issues:

In the area of financial reporting and other miscellaneous compliance issues, two (2) compliance issues are addressed in this report. One issue arose from specific Colorado statutory and regulatory requirements requiring title insurers to file certain financial data and to provide annual statistical justification and data to support title insurance rates used in Colorado. The other issue arose from Colorado statutory and regulatory requirements which must be followed by insures when responding to Market Conduct inquiries. With regard the first compliance issue, it is recommended that the Company review its annual filing procedures and make the necessary changes to assure future compliance with applicable statutes and regulations. With regard to the second issue, it is recommended that the Company review its procedures related to management of Colorado Market Conduct exams and other Division inquiries and make necessary changes to assure future compliance with the timely response requirements set forth under Colorado law.

PERTINENT FACTUAL FINDINGS

Market Conduct Examination Report
of
CHICAGO TITLE INSURANCE COMPANY

PERTINENT FACTUAL FINDINGS

Relating to

COMPLAINT HANDLING

Issue A: Failure to maintain minimum standards in a record of written complaints.

Section 10-3-1104(1), C.R.S., requires all insurance companies operating in Colorado to provide for complaint handling procedures and provides that:

> (i) Failure to maintain complaint handling procedures: Failing of any insurer to maintain a complete record of all the complaints which it has received since the date of its last examination. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints, and the time it took to process each complaint. For purposes of this paragraph (I), "complaint" shall mean any written communication primarily expressing a grievance.

3 CCR 702-6(6-2-1) Attachment A sets forth the minimum information required to be maintained by insurance companies in their respective complaint registers as follows:

Attachment A. Minimum Information Required in Complaint Record

Column A	Column B		Column C	Column D	Column E	Column F	Column G	Column H
Company Identification Number	Function Code	Reason Code	Line Type	Company Disposition after Complaint Receipt	Date Received	Date Closed	Insurance Department Complaint	State of Origin

Examination of the Company's complaint record for 1998 demonstrated the Company was not in compliance with all of the requirements of 3 CCR 702-6(6-2-1). Specifically, Colorado Insurance Regulation 6-2-1, under Column H of the compliant register, requires all insurers to record the state of origin of the complaint. Furthermore, the regulation defines state of origin as the state of residence of the complainant. *See*, 3 CCR 702-6(6-2-1)(Attachment B). The Company, however, does not record the state of origin as the state where the complainant resides as the state of origin of a respective complaint, the Company records the state where the complaint originated which, since the complaint is filed with the Colorado Division of insurance, is always Colorado.

In addition, the regulation requires, under Column G, the regulation requires complaints to be classified to indicate if the origin of the complaint was from the Colorado Division of Insurance or whether the complaint was received otherwise. The Company's 1998 complaint record did not include a column specifying whether complaints originated with the Division or not.

Recommendation #1:

Within 30 days, the Company should demonstrate why it should not be considered in violation of the requirements set forth in Regulation 6-2-1. In the event the Company is unable to provide such documentation, it should be required to provide evidence that it has amended its complaint register to include the omitted information and that the Company's complaint register is in compliance with the minimal requirements of the Colorado regulation.

PERTINENT FACTUAL FINDINGS

for

UNDERWRITING

Issue B: Failure to provide written notification to prospective insureds of the Company's general requirements for the deletion of the standard exception or exclusion to coverage related to unfiled mechanic's or materialman's liens and/or the availability of mandatory GAP coverage.

Colorado Insurance Regulation 3 CCR 702-3 (3-5-1)(VII), adopted in part pursuant to the authority granted under §§10-1-109 and 10-3-1110, C.R.S., states in pertinent parts:

> (C) Every title entity shall be responsible for all matters which appear of record prior to the time of recording whenever the title entity conducts the closing and is responsible for recording or filing of legal documents resulting from the transaction which was closed.
>
> (L) Each title entity shall notify in writing every prospective insured in an owner's title insurance policy for a single family residence (including a condominium or townhouse unit) (i) of that title entity's general requirements for the deletion of an exception or exclusion to coverage relating to unfiled mechanics or materialman's liens, except when said coverage or insurance is extended to the insured under the terms of the policy and (ii) of the circumstances described in Paragraph C of Article VII of these Regulations, under which circumstances the title insurer is responsible for all matters which appear of record prior to the time of recording (commonly referred to as "Gap Coverage").

The Company's standard printed schedule B policy exceptions contain the following general exclusionary language for all unfiled mechanic or materialman's liens:

> This policy does not insure against loss or damage (and the Company will not pay costs, attorney's fees or expenses) which arise by reason of:
>
> 4 Any lien, or right to a lien, for services, labor or material heretofore or hereinafter furnished, imposed by law and not shown by the public records.

A review of the Company's underwriting and rating manuals demonstrated that, in 1998, the Company offered coverage for unfiled mechanic's and materialman's liens. During 1998 such coverage was available through the Company via an extended coverage endorsement or by using Company endorsement 110.1 or 110.2 which insured over particular named exceptions. In addition, whenever a title insurer or it agent conducts a closing in relation to the title policy issued and is responsible for recording the documents resulting from the real estate transaction, Colorado Insurance Regulation 3 CCR 702-3(3-5-1)(VII)(L) mandates coverage for all matters appearing of record prior to the time of recording (GAP coverage).

The following sample demonstrated that, although the Company offered coverage for unfiled mechanic's and materialman's liens and was responsible for mandatory GAP coverage, the

Company failed to make the appropriate written disclosures regarding its general requirements for unfiled mechanic's or materialman's lien coverage and/or failed to provide notice of the existence of GAP coverage where such notices were required:

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	22	22%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all title policies issued by the Company in Colorado during 1998, showed 22 instances (22% of the sample) wherein the Company issued title insurance policies providing owner's coverage for risks associated with the title transfer of single family residences, condominiums or townhouses in Colorado. Each policy excepted coverage for unfiled mechanics or materialman's liens and GAP coverage. Coverage for unfiled mechanic's or materialman's liens was available through the Company by endorsement and, as the Company or its agent conducted the closing in each instance, GAP coverage was mandated by statute. However, in each instance the Company failed to provide the insured with the requisite written notice regarding the availability and/or prerequisites of such coverages as required by 3 CCR 702-3 (3-5-1)(VII)(L).

More specifically, in 5 of the 22 instances, the Company failed to provide the insured with notice of the existence of Gap coverage as mandated by Colorado law. In the remaining 17 instances the Company failed to provide prospective insured with notice of both the existence of GAP coverage and of the Company's general requirements for the deletion of the Company's standard exception for unfiled mechanic's liens.

The 22% error frequency reported here is augmented by the fact that only 22 of the 100 policies reviewed were subject to this standard and required the written disclosure pertaining to the unfiled mechanic's lien and GAP coverages. Specifically, only 22 of the 100 files reviewed were owner's title insurance policies insuring single family residences in which the Company, or its agent, conducted the real estate closing and was responsible for recording the documents of conveyance and did not have Owner's Extended Coverage or an endorsement removing the general exception or exclusion for unfiled mechanic or materialman's liens and GAP coverage. Therefore, the written disclosures were only required in 22 of the 100 files reviewed. The Company failed to make the requisite disclosures in all 22 files which demonstrated that, whenever the written disclosures were required, the Company's error frequency was 100%.

Recommendation #2:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §§10-3-1104(1)(a) and (1)(a)(I), C.R.S., and 3 CCR 702-3 (3-5-1)(VII)(C) and (L). In the event the Company is unable to provide such documentation, it should be required to provide evidence that it has amended its underwriting guidelines, agency agreements or other Company procedures necessary to implement the requisite change so that those procedures and guidelines include a requirement that will assure the Company will provide prospective insureds with written notification of the Company's general requirements for the deletion of the Company's general exception or exclusion to coverage for unfiled mechanic's liens and GAP coverage.

In addition, the Company should be required to perform a self audit of all claims denied due, in whole or in part, to the general exception or exclusion contained in the tile policy for unfiled mechanic or materialman's liens. The self audit should cover a period from January 1, 1998 to present. After identifying the target denials, the Company should be required to accept liability for all claims identified by the audit in which the Company failed to provide the requisite written notice.

Issue C: Misrepresenting the benefits, advantages, conditions or terms of insurance policies by omitting applicable endorsements.

Section 10-3-1104(1), C.R.S. defines certain unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(a) Misrepresentations and false advertising of insurance policies: Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, circular, statement, sales presentation, omission, or comparison which:

(I) Misrepresents the benefits, advantages, conditions, or terms of any insurance policy; . . .

A review of the following sample demonstrated that, whenever the Company issued a title insurance policy in Colorado during 1998, the Company failed to identify, itemize or list policy endorsements in a declarations page or otherwise include such information within the written terms of title insurance policies issued.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	41	41%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all title policies issued by the Company in Colorado during 1998, showed 41 instances (41% of the sample) wherein the Company omitted applicable endorsements. In all 41 instances the Company issued title insurance policies without itemizing the inclusive endorsements on a policy declaration page or otherwise disclosing such information within the written terms of the policy issued.

Furthermore, a review of the Company's policy forms demonstrated that only 1 of the 13 most common title insurance and title guarantee policy forms used by the Company in Colorado during 1998 contained a declarations page or policy jacket which included a section for itemizing endorsements. Specifically, the policy jacket for the ALTA Short Form Residential Loan Policy, issued by the Company to lenders in coordination with permanent loans secured by residential property of one to four family dwellings, contained a checklist to indicate endorsements incorporated into the policy issued.

Other than the short form discussed above, the Company's only method of notifying prospective insureds of the endorsements requested by an insured for inclusion in the prospective title insurance policy was to provide a statement of charges at the top of the respective insured/applicant's initial commitment papers.

Upon issuing the title insurance policy the terms of the last update of the commitment were incorporated into the title policy, however, the Company omitted the listing of inclusive endorsements that appeared within the terms of the original commitment papers. Therefore, upon issuance of the policy, any endorsements or riders were not listed or otherwise itemized within the terms of the title policy issued. In addition, the only indication that an endorsement or rider amended a particular policy was application of a Company practice requiring the issuing agent to place a copy of the endorsement or rider behind the Company's copy of the title policy maintained in the underwriting file. The endorsements were not otherwise "attached" to the policy and the pages of the policy were not numbered (i.e. 1 of 1) to identify the length of the policy or otherwise identify the existence of any endorsements or riders.

Recommendation #3:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §10-3-1104(1)(a)(I), C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence that it has amended its policy forms and endorsements and underwriting guidelines and procedures and any other requisite Company operations so that all title policies issued by the Company incorporate a listing of any endorsements and/or riders on the policy declaration page or within the terms of the policy as to all future policies issued by the Company.

Issue D: Failure to obtain written closing instructions from all necessary parties when providing closing and/or settlement services for Colorado consumers.

Sections 10-3-1104(1)(a) and (1)(a)(I), C.R.S. define an unfair or deceptive trade practice in the business of insurance as:

> (a) Misrepresentations and false advertising of insurance policies: Making, issuing, circulating, or causing to be made, issued, or circulated, any estimate, circular, statement, sales presentation, omission, or comparison which:
>
> (I) Misrepresents the benefits, advantages, conditions, or terms of any insurance policy.

Colorado Insurance Regulation 3 CCR 702-3 (3-5-1)(VII), adopted in part pursuant to the authority granted under §§10-1-109 and 10-3-1110, C.R.S., states:

> (G) No title entity shall provide closing and settlement services without receiving written instructions from all necessary parties.

The following sample demonstrated that, in some instances, the Company or its agent provided closing and/or settlement service in Colorado during 1998 without obtaining the requisite written closing instructions signed by all necessary parties.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	50	50%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all title policies issued by the Company in Colorado during 1998, showed 50 instances (50% of the sample) wherein the Company or its agent provided closing and/or settlement services for Colorado consumers without receiving written closing instructions from all necessary parties.

36 of the 50 reported files were loan closings. The remaining 14 files were simultaneous issue files where both mortgagor and mortgagee title policies were issued and the issuing agent conducted both the loan and real estate closing.

Recommendation #4:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §§10-3-1104(1)(a) and (1)(a)(I), C.R.S., and 3 CCR 702-3 (3-5-1)(VII)(G). In the event the Company is unable to provide such documentation, it should be required to provide evidence that it has amended its underwriting guidelines, agency agreements or other Company operations necessary to assure that the Company and its agents will obtain written instructions from all necessary parties whenever the Company or its agents perform closing and settlement services in Colorado.

Issue E: Failure to follow Company underwriting procedures and/or guidelines and/or failing to make a determination of insurability in accordance with sound underwriting practices.

Section 10-3-1104(1)(f)(II), C.R.S. define an unfair unfairly discriminatory underwriting practice as:

> (II) Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever;

Section 10-11-106, C.R.S. provides in pertinent part:

> (1) No policy or contract of title insurance shall be written unless and until the title insurance company has caused to be conducted a reasonable examination of the title and has caused to be made a determination of insurability of title in accordance with sound underwriting practices for title insurance companies. Evidence thereof shall be preserved and retained in the files of the title insurance company or its agent for a period of not less than seven years after the policy or contract of title insurance has been issued.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	67	67%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all new business title policies issued by the Company in Colorado during 1998, showed 67 instances (67% of the sample) wherein the Company failed to follow its own underwriting guidelines.

Many files reviewed contained more than one underwriting error, however, to maintain sample integrity, each file was considered as a singular error regardless of the total errors contained in the file. Thus, the error frequency reported above was 67%, however the 100 files reviewed contained a total of 140 instances in which the company issued title polices without following the Company's underwriting guidelines. The following is a breakdown of the findings by Company underwriting rule:

FAILING TO COMPLY WITH COMPANY UNDERWRITING BULLETIN NO. 5-

A Company underwriting memorandum dated February 14, 1991 states in pertinent parts:

> The Short Form policy provides for extended coverage, but without many of the safeguards we would normally require. . . .For these reasons, the policy usage is to be strictly limited as set out below.
>
> First of all, the Short Form Residential Loan policy is only to be issued on permanent loans secured by residential property in established subdivisions. It is not to be issued on construction loans or commercial loans, nor is it to be used on metes and bounds descriptions.
>
> In reviewing the copy of the Short Form policy attached, you will note that the description of the lien to be insured is abbreviated. There is no requirement that the recording information for the mortgage to be insured-be shown on the policy. The reason for that is that it is anticipated that the short form policy will be issued simultaneously with the closing and funding, but before the mortgage is recorded. Such practice is acceptable
> to the Company. **However, the mortgage must be recorded the same day as the closing, or the next business day at the latest. Do not allow a mortgage to go unrecorded for any extended period of time.**

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO UNDERWRITING BULLETIN NO. 5 (February 14, 1991)(emphasis added).

Twenty-three (23) of the 67 reported files were instances in which the Company or its agent issued short term loan policies and conducted closings without recording the mortgage within the time period described in the Company's underwriting manual. Delays in recording ranged between 4 and 31 days after the closing. The Company's failure to comply with Company underwriting guidelines demonstrated noncompliance with §10-3-1104(1)(f)(II) which, in order to avoid unfair discrimination requires insurers to follow company underwriting guidelines.

Two (2) of the 67 reported files contained instances in which the Company issued a Short Form Residential Loan policy to insure title on a property with metes and bounds descriptions in violation of the cited underwriting standard.

FAILING TO COMPLY WITH COMPANY RATING/UNDERWRITING VARIATION NO. 4-

The Company's Colorado Agency Manual contained an underwriting standard requiring that, whenever a title policy was issued with a re-issue premium discount, a copy of the prior insurance policy from which the discount was calculated to be maintained in the underwriting file. The rule stated:

NOTE 2: "Prior Policy" is a prior owner's, loan, leasehold owners or leasehold loan policy the increase, if any, above the amount of the prior policy is to be computed in accordance with the charges set forth in the Basic Schedule of Rates. **A copy of the prior policy must be retained in the issuing company's files.**

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 4-Short Term Rate for Owner's, Loan or Leasehold policies at p. 7 (ed. effective 1998).

Forty seven (47) of the 67 files reported were instances in which the Company issued a title policy and calculated the premium charge using a re-issue discount without retaining a copy of the prior policy in the issuing company's files.

FAILING TO FOLLOW ISSUING GUIDELINES FOR ENDORSEMENT 100-ENCROACHMENT PROTECTION

The Company's Colorado Agency Manual contained an underwriting standard that required issuing agents to obtain a survey prior to issuing a Form 100 endorsement. In 1998 the manual stated:

GUIDELINES FOR ISSUANCE OF ENDORSEMENT FORM 100

1. Current accurate approval survey showing boundary lines, easements, improvements, etc.
2. Review of covenants, conditions and restrictions affecting the insured property.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Endorsements Section, Guidelines for Issuance of Endorsements Form 100 at p. 5 (ed. effective 1998).

A Company underwriting memorandum dated January 23, 1992 modifies the survey requirement for issuing a Form 100 endorsement in coordination with refinance transactions provided that the issuing agent followed the following guidelines:

1. You must be furnished with a copy of a prior survey of the property.

2. The prior survey must contain an acceptable certification by the surveyor. The Prior survey is acceptable to the Company notwithstanding a certification in favor of another underwriter and/or title company.

3. The owner of the property must execute a survey affidavit acceptable to the Company which verifies there has been no material change in the property since the date of the prior survey. An example of an acceptable survey affidavit is attached hereto.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO UNDERWRITING BULLETIN NO. 10 (January 23, 1992).

60 of the 67 reported files contained instances in which the Company issued a Form 100 endorsement without obtaining the requisite approval survey required by operation of the Company's underwriting rule cited above or without satisfying the preconditions of the waiver rule.

43 of the 60 files reported here were refinance transactions subject to the modified rule allowing the issuance of the Form 100 endorsement without a survey provided satisfactory completion of three enumerated conditions. The 43 files reported here, however, were not documented to demonstrate compliance with at least one of the preconditions of the modified rule, demonstrating the Company failed to follow its own underwriting guidelines when issuing the Form 100 endorsement without a survey.

Moreover, 17 of the 60 files reported here were land sale transactions for which the Company insured title, specifically insuring over policy exclusions pertaining to encroachments. In each instance the Company issued the Form 100 endorsement without obtaining the requisite survey. Insuring over possible encroachments without a current accurate approval survey showing property boundaries and improvements was in derogation of the Company's established sound underwriting requirement and, therefore, not in compliance with §10-11-106(1), C.R.S.

FAILING TO OBTAIN REGIONAL UNDERWRITING APPROVAL PRIOR TO ISSUING CERTAIN ENDORSEMENTS

Among other restrictions, the Company's Colorado Agency Manual requires Company agents to obtain Regional Underwriting approval prior to issuing endorsements 115.1 (comprehensive condominium endorsement), 115.2 (PUD endorsement), or 100.30 (mineral endorsement).

For example, the Colorado Agency Manual contained the following underwriting standard regarding the 115.2 endorsement:

> Approval by Regional Underwriting after review of applicable covenants, conditions and restrictions.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Endorsements Section, Guidelines for Issuance of Endorsements Form 115.2 at p. 104 (ed. effective 1998).

The Company's Colorado Agency Manual contains similar Regional Underwriting approval requirements for endorsement forms 115.1 and 100.30. Nonetheless, 8 of the 67 reported files contained instances in which the Company issued a Form 115.1, Form 115.2 or a Form 100.30 endorsement without having received Regional Underwriting approval as required by the Company's underwriting manual. Deviation from Company underwriting guidelines results in disparate treatment among Colorado insureds and any such practice of adverse selection could result in unfair discrimination.

Recommendation #5:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §§10-3-1104(1)(f)(II), and 10-11-106(1), C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has either amended its underwriting rules to comport with the Company's practices or provide the Division with information demonstrating the Company has implemented procedures which will assure that all title policies issued by the Company will be issued in Compliance with written Company underwriting rules, procedures and/or standards.

The Company should also be required to provide the Colorado Division of Insurance with written assurances stating that the Company will not issue a policy or contract of title insurance in Colorado without first making a determination of insurability of the title in accordance with sound title insurer underwriting practices in compliance with §10-11-106(1), C.R.S.

Issue F: Issuing title insurance policies without obtaining a certificate of taxes due.

Section 10-11-122, C.R.S. provides:

> (3) Before issuing any title insurance policy, unless the proposed insured provides written instructions to the contrary, a title insurance agent or title insurance company shall obtain a certificate of taxes due or other equivalent documentation from the county treasurer or the county treasurer's authorized agent.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	29	29%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all new business title policies issued by the Company in Colorado during 1998, showed 29 instances (29% of the sample) wherein the Company issued title insurance policies without first obtaining a certificate of taxes due or other equivalent documentation. None of the files reported contained information demonstrating the respective insured provided written instructions waiving the requirement.

Five (5) of the 29 policies issued by the Company without obtaining the requisite certificate of taxes due were standard ALTA mortgagor or mortgagee policies.

Twenty-five (25) of the 100 title/escrow policies systematically selected by the examiners for review were limited coverage title guarantee policies called Policies Insuring Record Title (PIRT) policies. Of the 25 PIRT policies, the Company only obtained the requisite certificate of taxes due in 1 instance. Based on this and other findings relevant to the limited coverage PIRT policies issued by the Company in Colorado during 1998, the examiners requested the Company to produce a list comprised only of PIRT policies issued by the Company in Colorado during 1988.

The examiners systematically selected 100 PIRT policies from that list for further review. The examiners' findings pertinent to the Company's failure to obtain a certificate of taxes due prior to issuing title insurance policies in compliance with §10-11-122(3), C.R.S. were as follows:

POLICIES INSURING RECORD TITLE (PIRT) ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
14,364	100	97	97%

An examination of 100 systematically selected underwriting files, representing .67% of all new business PIRT policies issued by the Company in Colorado during 1998, showed 97 instances (97% of the sample) wherein the Company issued title insurance policies without first obtaining a certificate of taxes due or other equivalent documentation. None of the files reported contained information demonstrating the respective insured provided written instructions waiving the requirement.

Recommendation #6:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §10-11-122(3), C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has adopted and implemented procedures which will assure that, whenever the Company issues a title policy in Colorado, the Company or its agent will obtain a certificate of taxes due or other equivalent documentation for the subject property of which title is to be insured.

PERTINENT FACTUAL FINDINGS

for

RATING

RATING

SECTION 1: Schedule of Rates, Fees & Charges

TITLE INSURANCE POLICIES.

Issue G: Failure to provide adequate financial and statistical data of past and prospective loss and expense experience to justify certain title insurance premium rates.

Section 10-4-401, C.R.S., provides:

> (b) Type II kinds of insurance, regulated by open competition between insurers, including fire, casualty, inland marine, title insurance, and all other kinds of insurance subject to this part 4 and not specified in paragraph (a) of this subsection (3), including the expense and profit components of workers' compensation insurance, which shall be subject to all the provisions of this part 4 except for sections 10-4-405 and 10-4-406. Concurrent with the effective date of new rates, type II insurers shall file rating data, as provided in section 10-4-403, with the commissioner.

Section 10-4-403, C.R.S., provides:

> (1) Rates shall not be excessive, inadequate, or unfairly discriminatory.

Colorado Insurance Regulation 3 CCR 702-3(3-5-1)(VI)), adopted in part to the authority granted under §10-4-404, C.R.S. provides:

> K. Each title entity on an annual basis shall provide to the Commissioner of Insurance sufficient financial data (and statistical data if requested by the Commissioner) for the Commissioner to determine if said title entities' rates as filed in the title entities' schedule of rates are inadequate, excessive, or unfairly discriminatory in accordance with Part 4 of Article 4 of Title 10, C.R.S.
>
> Each title entity shall utilize the income, expense and balance sheet forms, standard worksheets and instructions contained in the attachments labeled "Colorado Uniform Financial Reporting Plan" and "Colorado Agent's Income and Expense Report" designated as attachments A & B and incorporated herein by reference. Reproduction by insurers is authorized, as supplies will not be provided by the Colorado Division of Insurance.

Colorado Insurance Regulation 3 CCR 702-5(5-1-10)(III)(B)(1) and (4) provide:

> (1) Every property and casualty insurer, including workers' compensation and title insurers, are required to file insurance rates, minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings

must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.

(4) Each rate filing must be accompanied by rating data, as specified in § 10-4-403, C.R.S., including at a minimum past and prospective loss experience, loss costs or pure premium rates, expense provisions, and reasonable provisions for underwriting profits and contingencies, considering investment income from unearned premium reserves, reserves from incurred losses, and reserves from incurred but not reported losses

BUILDER/DEVELOPER DISCOUNTS.

The Company's 1998 rate manual contained a rule that provided a discount for certain developers or subdividers of properties. Specifically, the 1998 manual stated:

VARIATION 6 - Subdivision Rates

(For all counties except: Clear Creek, LaPlata, San Juan, Park, and Teller)

This variation is applicable to title insurance insuring purchasers from and/or loans to owners of three (3) or more parcels of commercial, industrial and/or residential properties including, but not limited to, condominium or planned unit development projects.

The Basic Subdivision Rate is to an owner of land within a single subdivision or tract which has been divided into three (3) or more lots or units of occupancy, all of which are being developed for sale as separate lots or separate individual units of occupancy. The charges set forth herein are in addition to the charges for the policy insuring the owner upon acquisition of his estate or interest in the land if such policy was issued or is to be issued.

Charge: Basic Subdivision Rate: 50% of the Basic Schedule of Rates based upon the Insured Amount of each policy.

These rates are applicable only when three (3) or more policies are to be issued insuring at least three (3) or more different purchasers. The rate per unit is based upon the full value of each separate sale. Where two (2) or more lots or units of occupancy are sold to a common purchaser, the rate is based upon the aggregate value of the lots or units being conveyed; and a purchaser of five (5) or more lots or units of occupancy is entitled to the subdivision rate upon the sale of the lots or units of occupancy previously insured.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 6-Subdivision Rates at pp. 9-10 (ed. effective 1998).

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rate and/or rating rule was not inadequate, excessive, or unfairly discriminatory as those terms are defined under 10-4-401 et seq. Since the Company was unable to produce the 1998 filing, the Company was asked to produce a prospective justification of the 1998 rates in accordance with the criteria established under the statutes cited above.

The Company's response to the examiners' request for statistical and financial justification of the Company's builder/developer discount rates was not sufficient justification of the cited rates and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of builder/developer subdivider discount rates.

VOLUME BUILDER'S DISCOUNTS.

In addition to the subdivider rate discussed above, the Company's 1998 base rate manual contained a rule that provided a volume discount for certain developers or subdividers of properties. Although the rate variation was entitled "Residential New Construction Rate", the Company's 1998 rating manual contained the following rate variation which was essentially builder/developer discount rates:

VARIATION NO. 22 - Residential New Construction Rate

> **20 to 100 Units Per Year:** When a builder anticipates building more than 20 units and less than 1 00 units per year, and the builder desires to pay for construction loan policies with a combined rate, the charge for both policies will be 65% of the scheduled rate based upon the sales price of the insurable unit.
>
> **101 to 250 Units Per Year:** When a builder anticipates building more than 100 units and less than 250 units per year, the charge for policies to purchaser on unencumbered properties will be 45% of the scheduled rate based upon the sales price of the insurable unit. If the builder desires to pay for construction loan policies with a combined rate the charge for both policies will be 60% of the scheduled rate based upon the sales price of the insurable unit.

251 to 500 Units Per Year. When a builder anticipates building more than 250 units and less than 500 units per year, the charge for policies to purchaser on unencumbered properties will be 40% of the scheduled rate based upon the sales price of the insurable unit. If the property is encumbered with a construction loan the charge for policy will be 45 % of the scheduled rate based upon the sales price of the insurable unit. If the builder desires to pay for construction loan policies with a combined rate the charge for both policies will be 55% of the scheduled rate based upon the sales price of the insurable unit.

501 to 1,000 Units Per Year: When a builder anticipates building more than 500 units and less than 1,000 units per year, the charge for policies to purchaser on unencumbered properties will be 35% of the scheduled rate less $30, based upon the sales price of the insurable unit. If the property is encumbered with a construction loan the charge for policy will be 40% of the scheduled rate less $30, based upon the sales price of the insurable unit. If the builder desires to pay for construction loan policies with a combined rate of the charge for both policies will be 50% of the scheduled rate less $30, based upon the sales price of the insurable unit.

1,001 to 1,500 units Per Year: When a builder anticipates building more than 1,000 units and less than 1,500 units per year, the charge for policies to purchaser on unencumbered properties will be 30% of the scheduled rate less $30, based upon the sales price of the insurable unit. If the property is encumbered with a construction loan the charge for policy will be 35% of the scheduled rate less $30, based upon the sales price of the insurable unit. If the builder desires to pay for construction loan policies with a combined rate the charge for both policies will be 45% of the scheduled rate based upon the sales price of the insurable unit.

More than 1,500 Units Per Year: When a builder anticipates building more than 1,500 units the charge for policies to purchaser on unencumbered properties will be 25% of the scheduled rate. less $30, based upon the sales price of the insurable unit. If the property is encumbered with a construction loan the charge for policy will be 30% of the scheduled rate less $30, based upon the sales price of the insurable unit. If the builder desires to pay for construction loan policies with a combined rate the charge for both policies will be 40% of the scheduled rate less $30, based upon the sales price of the insurable unit.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 22 - Residential New Construction Rate at pp. 27-28 (ed. effective 1998).

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rate and/or rating rule was not inadequate, excessive, or unfairly discriminatory as those terms are defined under 10-4-401 et seq. Since the Company was unable to produce the 1998 filing, the Company was asked to produce a prospective justification of the 1998 rates in accordance with the criteria established under the statutes cited above.

The Company's response to the examiners' request for statistical and financial justification of the Company's volume builder discount rates was not sufficient justification of the cited rates and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of volume builder discount rates.

FLAT RATE DISCOUNT FOR VOLUME LENDERS.

Although the rate was entitled a "Flat Rate, No Cost Consumer Refinance Loan Rate", the Company's rating manual contained the following regarding a discounted flat rate available only to volume lenders. Specifically, the rating manual provided:

VARIATION 23 - FLAT RATE, NO COST, CONSUMER REFINANCE LOAN RATE

A flat rate for title insurance and closing fees will be given if all of the following conditions are met:

1) The order must result in the issuance of a mortgagee's title insurance policy;
2) The transaction must be a non-purchase, refinance loan;
3) The lender pays for all of the title insurance and closing costs;
4) The anticipated loan volume for the lender is in excess of 300 transactions per year.

The flat rate will include the following charges:

1) Mortgagee; s Title Insurance Policy;
2) Standard Endorsements 100, 8.1, 115.1, 115.2, 110.7, and/or Balloon Endorsement, if applicable;
3) Tax Certificate
4) Recording Fees up to $40
5) Closing Fees

The all inclusive charge for the above will be:

1) Refinance Loans less than $150,000:
$625
2) Refinance Loans more than $150,000, but less than $750,000:
$675
3) Refinance Loans more than $750,000:
Basic Rate

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 23- Flat Rate, No Cost, Consumer Refinance Loan Rate at p. 29 (ed. effective 1998).

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rate and/or rating rule was not inadequate, excessive, or unfairly discriminatory as those terms are defined under 10-4-401 et seq. Since the Company was unable to produce the 1998 filing, the examiners requested Company representatives to provide a prospective justification of the 1998 rates in accordance with the criteria established under the statutes cited above.

The Company's response to the examiners' request for statistical and financial justification of the county-by-county fluctuation of concurrent lender policy premium rates was not sufficient justification of the cited rate and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the cited rate.

COUNTY-BY-COUNTY RATE DEVIATIONS FOR CONCURRENT LENDER POLICIES.

The Company's 1998 rating manual provided a discount for lender's policies issued in coordination with an accompanying owner's or lender's title policy. This discount, however, varied between counties. The rule provided:

> VARIATION 2 - Owner's Policy Issued Simultaneously with a Loan Policy
>
> When an Owner's Policy and a Loan Policy are issued simultaneously, bearing the same date, and covering the same land, or a portion thereof, and the Owner's Policy showing the lien(s) as an exception thereof, the charge for each policy shall be:

(For All Counties Except Weld, Hinsdale, Mineral, San Juan, Archuleta Dolores, La Plata and Montezuma)

Charge: Owner's Policy - Basic Schedule of Rates
Loan Policy $120.00

(Weld County)

Charge: Owner's Policy - Basic Schedule of Rates
Loan Policy - $75.00

(Hinsdale, Mineral, San Juan, Archuleta, Dolores, La Plata and Montezuma)

Charge: Owner's Policy - Basic Schedule of Rates
Loan Policy - $85.00

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, VARIATION 2 - Owner's Policy Issued Simultaneously with a Loan Policy at p. 3 (ed. effective 1998).

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rate and/or rating rule was not inadequate, excessive, or unfairly discriminatory as those terms are defined under 10-4-401 et seq. Since the Company was unable to produce the 1998 filing, the examiners requested Company representatives to provide a prospective justification of the 1998 rates in accordance with the criteria established under the statutes cited above.

The Company's response to the examiners' request for statistical and financial justification of the county-by-county fluctuation of concurrent lender policy premium rates was not sufficient justification of the cited rate and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of the county-by-county rate variation for simultaneous issue rates.

COUNTY-BY-COUNTY RATE DEVIATIONS FOR SHORT TERM RE-ISSUE RATES:

The Company's rating manual contains the following rates and rules regarding short-term reissue rates for both owner's and lender's coverages:

VARIATION 4 - Short Term Rate for Owner's, Loan or Leasehold Policy

When an Owner's, Loan or Leasehold Policy is ordered within five years of the original policy date of a prior Owner's, Loan, or Leasehold Policy, a credit will be given, provided that satisfactory evidence of the existence of the prior policy is presented to the issuing company prior to the issuance of this policy. Said evidence must be retained in the issuing company's files. These rates will be used in all counties except as shown below.

(All Counties Except Those Shown Below)

Charge: 50% of the amount- set forth in the Basic Schedule of Rates if within three years;

60% of the amount set forth in the Basic Schedule of Rates if within four or five years;

(Adams, Arapahoe, Denver, Douglas, Eagle, Elbert, El Paso, Grand, Jefferson, Larimer, Pitkin, and Summit Counties Only)

Charge: 50% of the amount set forth in the Basic Schedule of Rates if within five years.

(Boulder County Only)

Charge: 50% of the amount set forth in the Basic Schedule of Rates if within three years;

75% of the amount set forth in the Basic Schedule of Rates if within four years;

90% of the amount set forth in the Basic Schedule of Rates if within five years;

(Fremont and Custer Counties Only)

Charge: 50% of the amount set forth in the Basic Schedule of Rates if within one year;

75% of the amount set forth in the Basic Schedule of Rates if within two years;

(Weld County Only)

Charge: 50% of the amount set forth in the Basic Schedule of Rates if within three (3) Years.

Justification:

The existence of the prior policy is evidence that title to the property to be insured has been previously examined and found insurable, so reducing the risk on the policy to be issued. Also, the prior policy is evidence of a mature title that has not been subjected to attack since the prior policy was issued, again reducing the risk on the policy to be issued.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 4 - Short Term Rate for Owner's, Loan or Leasehold Policy at p. 3 (ed. effective 1998).

The examiners requested Company representatives to identify the increased risk factors associated with lender's concurrent coverage in those Colorado Counties where the reissue discount factor was less than 50% and where such discount was not available at 50% for the five year term available in some Colorado Counties. The examiners requested the Company's response to include sufficient financial and statistical data to demonstrate the above cited rate and rating rule was not inadequate, excessive, or unfairly discriminatory in accordance with 10-4-401 et seq.

The Company's response to the examiners' request for statistical and financial justification of the county-by-county rate differential for concurrent construction loan policies was not sufficient justification of the cited rate and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of the cited county-by-county rate variation.

INCREASED PREMIUM & SERVICE CHARGES EFFECTIVE ONLY IN WELD COUNTY

The Company's rating manual contained several rates and rating rules establishing increased charges for policies issued in association risks located in Weld County, Colorado. The

following chart is a comparison representing some of the Company's rate variations between Weld and all other Colorado counties:

	Premium/Service Charges		
Coverage	**Weld County**	**All other Colorado Counties**	**Additional Charge In Weld**
Extended Owners Coverage	$35.00	$30.00	$5.00
2nd loan rate for a separate loan issued in connection with an additional concurrent loan Policy.	$75.00	$40.00	$35.00
Commitment Charge	$250.00	$150.00	$100.00

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rates and/or rating rules were not inadequate, excessive, or unfairly discriminatory as those terms are defined under 10-4-401 et seq. Since the Company was unable to produce the 1998 filing, the examiners requested Company representatives to provide a prospective justification of the 1998 rates in accordance with the criteria established under the statutes cited above.

The Company's response to the examiners' request for statistical and financial justification of the county-by-county rate differential for concurrent construction loan policies was not sufficient justification of the cited rates and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of the cited rate variation.

COUNTY-BY-COUNTY RATE FLUCTUATIONS; GENERALLY.

In addition to the Company rating rules discussed above, a review of statewide rate filings made by the Company and or its Colorado agents, raised certain questions regarding whether the Company's statewide rating scheme complied with the requirements of Colorado law. Specifically, the examiners questioned whether variances in rate charges among different Colorado counties was unfairly discriminatory under Colorado law or whether the county-by-county rating scheme in the business of title insurance resulted in excessive rates.

For instance, the Company's rate filings effective in 1998 for Boulder and Denver County resulted in different rates charged in each county. The premium charges for a basic ALTA owner's policy in Denver County were $733.00 on a 100,000 home, or $7.33 per thousand.

The premium charges for the same coverage in Boulder County were $521.00 on a 100,000 home, or $5.21 per thousand.

The examiners requested the Company to identify factors supporting disparate premium charges among several Colorado Counties. The Company was informed that its response should be a detailed answer describing past and prospective loss and expense experience. The Company was also asked to demonstrate how a reasonable profit provision is incorporated into the Company's premium charges for title coverage, specifically indicating how the Company's investment income offsets the reasonable profit provision.

Pursuant to 3 CCR 702-3(3-5-1(VI)(K)), adopted under the authority granted by §10-4-404, C.R.S. the examiners requested Company representatives to produce the Company's 1998 filing of financial and statistical data to demonstrate the above cited rate and rating rule was not inadequate, excessive, or unfairly discriminatory in accordance with 10-4-401 et seq. Since the Company was unable to produce a copy of the 1988 report, the examiners requested Company representatives to provide financial and statistical justification of the rate in question.

The Company's response to the examiners' request for statistical and financial justification of the county-by-county rate fluctuations was not sufficient justification of the cited rates and did not satisfy the requirements of §10-4-401 et seq., C.R.S. Specifically, the responses did not contain pertinent supporting financial or statistical
data. In addition, the Company's responses did not consider past and prospective loss and expense experience and the response did not identify or explain how a reasonable profit provision was incorporated into the development of county-by-county rate fluctuations.

Recommendation #7:

Within 30 days, the Company should demonstrate why it should not be considered in violation of §10-4-403(1), C.R.S., and 3 CCR 702-3 (3-5-1)(VI)(A), (B) and (K) as applicable to the findings addressed in the text above. In the event the Company is unable to provide such documentation, it should be required to provide the Colorado Division of Insurance with adequate financial and statistical data of past and prospective loss and expense experience to justify the cited Company premium rates and closing and settlement fees and charges. The filing should specifically identify and explain how a reasonable profit provision is incorporated into the development of the Company's premium rates and closing and settlement fees and charges.

In addition, the Company should be required to provide written assurance that it will comply with the requirements of 3 CCR 702-3(3-5-1)(VII)(K) and submit an annual filing to the Colorado Division of Insurance of sufficient financial data (and statistical data if requested by the Commissioner) for the Commissioner to determine if said title entities' rates as filed in the title entities' schedule of rates are inadequate, excessive, or unfairly discriminatory in accordance with 10-4-401, C.R.S. et seq.

Issue H: Using rates and/or rating rules not on file with the Colorado Division of Insurance and/or misapplication of filed rates.

Section 10-4-401(3), C.R.S., provides:

> (b) Type II kinds of insurance, regulated by open competition between insurers, including fire, casualty, inland marine, title insurance, and all other kinds of insurance subject to this part 4 and not specified in paragraph (a) of this subsection (3), including the expense and profit components of workers' compensation insurance, which shall be subject to all the provisions of this part 4 except for sections 10-4-405 and 10-4-406. Concurrent with the effective date of new rates, type II insurers shall file rating data, as provided in section 10-4-403, with the commissioner.

Additionally, Section 10-3-1104(1)(f), C.R.S., defines unfair discrimination as:

> (II) Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates, charged for any policy or contract of insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever;

Consistent with the provision of §10-4-401 et seq., 3 CCR 702-3(3-5-1) requires all title insurers offering coverage in Colorado to comply with Colorado laws and regulations regarding rates and rating practices. Specifically, the regulation provides in pertinent parts:

> IV. SCHEDULE OF RATES, FEES AND CHARGES--TITLE INSURANCE POLICIES
>
> A. Every title insurer shall adopt, print and make available to the public a schedule of rates, fees and charges for regularly issued title insurance policies including endorsements, guarantees and other forms of insurance coverages, together with the forms applicable to such fees. . .
>
> . . .G. Such schedule must be filed with the Commissioner in accordance with Part 4 of Article 4, Title 10, C.R.S., and Section 118, Article 11, Title 10, C.R.S., and any applicable regulation or regulations on rates, rate filings, rating rules, classification or statistical plans. . . .
>
> . . .J. No title entity shall quote any rate, fee or make any charge for a title policy to any person which is more or less than that currently available to others for the same type of title policy in a like amount, covering property in the same

> county and involving the same factors as set forth in its then currently effective schedule of rates, fees and charges. . . .

Colorado Insurance Regulation 3 CCR 702-5(5-1-10)(III)(B)(1) and (4) provide:

> (1) Every property and casualty insurer, including workers' compensation and title insurers, are required to file insurance rates, minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.
>
> (4) Each rate filing must be accompanied by rating data, as specified in § 10-4-403, C.R.S., including at a minimum past and prospective loss experience, loss costs or pure premium rates, expense provisions, and reasonable provisions for underwriting profits and contingencies, considering investment income from unearned premium reserves, reserves from incurred losses, and reserves from incurred but not reported losses

The following sample demonstrated that, in some instances during 1998, the Company failed to use rates on file with the Colorado Division of Insurance when issuing policies of insurance:

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	71	71%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all new business title policies issued by the Company in Colorado during 1998, showed 71 instances (71% of the sample) wherein the Company issued title insurance policies using rates and/or rating rules not on file with the Division of Insurance and/or failed to use rates on file with the Colorado Division of Insurance when issuing policies of insurance.

Many files reviewed contained more than one rating error, however, to maintain sample integrity, each file was considered as a singular error regardless of the total errors contained in the file. Thus, the error frequency reported above was 71%, however the 100 files reviewed contained a total of 253 premium rating errors. The following chart contains a breakdown of the findings by coverage:

Type of Coverage	Number of Errors	% to Sample (file errors)	Range of Errors
Owner's	23 errors (23 files)	23%	**Over:** $ 27.00 to $162.00 (7 errors) **Under:** $20.00 to $550.00 (16 errors)
Lender's	53 errors (52 files)	52%	**Over:** $7.00 to $504.00 (15 errors) **Under:** $3.00 to $298.00 (38 errors)
Endorsements	177 errors (43 files)	43%	**Over:** $1.00 to $70.00 (47 errors) **Under:** $2.00 to $300.00 (29 errors)
Total	**253 errors* (71 files)**	**71%***	**Over:** $4.20 to $178.00 (158 errors **Under:** $4.20 to $75.00 (19 errors)

* Totals for files and percentages consider counting a file with multiple errors as a single exception.
** Range of error does not include rounding errors (1 endorsement & 1 owner's policy).

The 71% error frequency reported here is augmented by the fact that 25 of the 100 policies reviewed were limited coverage guarantee policies which the Company labeled PIRT policies (Policies Insurance Record Title). The Company did not have a defined filed rates for the 25 PIRT polices. Instead the filed rate for the Company's PIRT policies was a range between $90.00 and $175.00.[3] Given the breadth of the premium range for the 25 PIRT files reviewed, all of the premium charges for the 25 PIRT policies reviewed fell within the filed range.

Therefore, only 25 files reviewed by the examiners had a reasonably articulable filed rate, not subject to the filed premium rate range for PIRT policies. Of the remaining 75 files, 71 (94.7%) of the files contained premium rating errors. Specific findings were as follows.

Twenty-seven (27) of the of the Company's 54 rate calculation errors resulting in an undercharge for owner's and lender's policies were caused by misapplication of the Company's filed re-issue rate variation. In each of these instances the Company failed to assess charges for any increase in liability over the prior policy as set forth by the Company's rating rule.

[3] Filing a premium rate range as broad as the Company's' PIRT rate with no articulable standards for determining premium charges is prohibited under Colorado law. See, §§10-3-1104(1)(f)(II) and 10-4-401 et. seq., C.R.S. The Company's PIRT rate is addressed under Issue K of this examination report.

Specifically, the rating rule for the Company's short-term re-issue rate provided in pertinent parts:

> When an Owner's, Loan or Leasehold Policy is ordered within five years of the original policy date of a prior Owner's, Loan, or Leasehold Policy, a credit will be given, provided that satisfactory evidence of the existence of the prior policy is presented to the issuing company prior to the issuance of this policy. Said evidence must be retained in the issuing company's files. These rates will be used in all counties except as shown below.
>
> **Charge:** 50% of the amount set forth in the Basic Schedule of Rates if within five years.
>
> NOTE 1: If the policy to be insured has a greater liability than the prior policy, the increase is to be computed in accordance with the charges set forth in the Basic Schedule of Rates.
>
> NOTE 2: "Prior Policy" is a prior owner's, loan, leasehold owners or leasehold loan policy. The increase, if any, above the amount of the prior policy is to be computed in accordance with the charges set forth in the
> Basic Schedule of Rates. A copy of the prior policy must be retained in the issuing company's files.

Chicago Title & Trust Family of Companies-Chicago Title Insurance Company, COLORADO AGENCY MANUAL, Variations Section, Variation 4 - Short Term Rate for Owner's, Loan or Leasehold Policy at p. 3 (ed. effective 1998).

In these 27 instances the Company failed to follow the filed short-term re-issue rating rule and applied the discount factor against the value of the current policy instead of the amount of the prior policy, thereby failing to assess appropriate charges for the increase in liability assumed under the new policy issued.

Two (2) of the 71 file errors resulted in undercharges for owner's policies issued with extended coverage. In these two instances the Company issued mortgagor title policies with extended coverage, however, the Company failed to assess the $30.00 charge for the extended coverage.

One (1) file contained an overcharge which occurred when the Company charged $50.00 to delete standard exceptions 1-4 from an ALTA loan policy. The Company did not have a filed rate to support the charge.

One (1) of the 71 files contained a $147.00 overcharge resulting from the Company's failure to allow a short-term reissue discount to a qualifying applicant.

Two (2) of the 71 files contained rounding errors. One of the two rounding errors occurred because the Company's 1998 rate filing did not contain a rounding rule, however, the Company's filed schedule of rates for some counties in Colorado display rate charges to the nearest penny. In this instance the issuing agent rounded the premium charges up to the next nearest whole dollar.

Since the Company's 1998 rate filing did not contain a rounding rule, the examiners calculated rates in accordance with normal rounding principles. The other rounding error reported here arose from the Company's calculation of the premium charges for a Form 103.2 endorsement. The filed rate for the endorsement was 10% of the base premium of the underlying policy. After calculating the 10% charge, the issuing agent rounded a remainder of $.30 up to the nearest whole dollar resulting in this single error.

The remaining 221 errors were rate miscalculation errors.

Recommendation #8:

Within 30 days the Company should provide documentation demonstrating why it should not be considered in violation of §§ 10-3-1104(1)(f)(II) and 10-4-403, C.R.S., and the filing requirements of 3 CCR 702-3(3-5-1). In the event the Company is unable to provide such documentation, it should be required to provide assurances that all future policies will be issued in accordance with filed company rates and all premium charges will accurately reflect rates on file with the Colorado Division of Insurance.

The Company should also be required to perform a self-audit from January 1, 1998 to present and return any excess monies collected as determined by the self-audit. The self-audit should be performed in accordance with Colorado guidelines for self-audits.

RATING

SECTION 2 Schedule of Fees & Charges

CLOSING & SETTLEMENT SERVICES.

Issue I: Failing to file a schedule of fees and charges for closing and settlement services with the Colorado Division of Insurance and/or using closing and settlement service fees and charges not on file with the Colorado Division of Insurance.

Section 10-4-401(3), C.R.S. provides:

> (b) Type II kinds of insurance, regulated by open competition between insurers, including fire, casualty, inland marine, title insurance, and all other kinds of insurance subject to this part 4 and not specified in paragraph (a) of this subsection (3), including the expense and profit components of workers' compensation insurance, which shall be subject to all the provisions of this part 4 except for sections 10-4-405 and 10-4-406. Concurrent with the effective date of new rates, type II insurers shall file rating data, as provided in section 10-4-403, with the commissioner.

Additionally, Section 10-3-1104(1)(f), C.R.S., defines unfair discrimination as:

> (II) Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates, charged for any policy or contract of insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever;

Consistent with the provision of §10-4-401 et seq., 3 CCR 702-3(3-5-1) requires all title insurers offering coverage in Colorado to comply with Colorado laws and regulations regarding rates and rating practices. Specifically, the regulation provides in pertinent parts:

> IV. SCHEDULE OF RATES, FEES AND CHARGES--TITLE INSURANCE POLICIES
>
> A. Every title insurer shall adopt, print and make available to the public a schedule of rates, fees and charges for regularly issued title insurance policies including endorsements, guarantees and other forms of insurance coverages, together with the forms applicable to such fees. . .
>
> . . .G. Such schedule must be filed with the Commissioner in accordance with Part 4 of Article 4, Title 10, C.R.S., and Section 118, Article 11, Title 10, C.R.S., and any applicable regulation or regulations on rates, rate filings, rating rules, classification or statistical plans. . . .
>
> . . .J. No title entity shall quote any rate, fee or make any charge for a title policy to any person which is more or less than that currently available to others

> for the same type of title policy in a like amount, covering property in the same county and involving the same factors as set forth in its then currently effective schedule of rates, fees and charges. . . .
>
> . . .V. SCHEDULE OF FEES AND CHARGES--CLOSING AND SETTLEMENT SERVICES
>
> A. Every title entity shall adopt, print, and make available to the public a schedule of fees and charges for regularly rendered closing and settlement services. . . .
>
> . . .F. Such schedule must be filed with the Commissioner in accordance with Section 118, Article 11, Title 10, C.R.S., and Part 4 of Article 4, Title 10, C.R.S., and any applicable regulation or regulations on rates, rate filings, rating rules, classification or statistical plans. . . .
>
> . . .I. No title entity shall quote any fee or make any charge for closing and settlement services to any person which is less than that currently available to others for the same type of closing and settlement services in a like amount, covering property in the same county and involving the same factors, as set forth in its then currently effective schedule of fees and charges.

Colorado Insurance Regulation 3 CCR 702-5(5-1-10)(III)(B)(1) and (4) provide:

> (1) Every property and casualty insurer, including workers' compensation and title insurers, are required to file insurance rates, minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.
>
> (4) Each rate filing must be accompanied by rating data, as specified in § 10-4-403, C.R.S., including at a minimum past and prospective loss experience, loss costs or pure premium rates, expense provisions, and reasonable provisions for underwriting profits and contingencies, considering investment income from unearned premium reserves, reserves from incurred losses, and reserves from incurred but not reported losses

A review of the Company rate filings and Colorado Agency Manual used in Colorado during 1998 demonstrated that neither the Company, the Company's direct Colorado operation, or any other Company agent filed a schedule of fees and charges for closing and settlement services with the Colorado Division of Insurance.

The Company was requested to produce evidence demonstrating the closing and settlement service fees and charges used by the Company or its agents in Colorado were filed with the Colorado Division of Insurance. The Company, however, was unable to produce a copy any schedule of fees and charges for closing and settlement services bearing the Division's "Filed Stamp," and/or other evidence demonstrating that any of the closing fees or charges used by the Company and/or its agents in Colorado during 1998 were ever filed.

Despite the Company's failure to file a schedule of closing and settlement service fees and charges, the following sample demonstrated that the Company conducted closing and settlement services in Colorado during 1998 and collected unfiled rates, fees, and charges for such services.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	65	65%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all new business title policies issued by the Company in Colorado during 1998, showed 65 instances (65% of the sample) wherein the Company conducted real estate closing and settlement services in coordination with the issuance of title insurance policies and collected fees and charges for the closing and settlement services without the benefit a filed schedule of closing and settlement services fees and charges.

The 65% error frequency reported here is augmented by the fact that only 65 of the 100 policies reviewed were subject to this standard. Specifically, the Company only charges closing and settlement services fees and/or charges in 65 of the 100 title files reviewed. The fact that the neither the Company, the Company's direct operation or any other Company agent filed a schedule of fees and charges for closing and settlement services with the Colorado Division of Insurance demonstrated that whenever the Company or its agents charged closing and settlement fees and/or charges in Colorado, the Company's error frequency was 100%.

Recommendation #9:

Within 30 days the Company should provide documentation demonstrating why it should not be considered in violation of §§ 10-3-1104(1)(f)(II) and 10-4-403, C.R.S., and the filing requirements of 3 CCR 702-3(3-5-1). In the event the Company is unable to provide such documentation, it should be required to demonstrate that it has reviewed its procedures relating to the filing of rates and rating rules and has implemented procedures which will assure future compliance with the filing requirements of the law.

Issue J: Engaging in unfairly discriminatory rating practices and/or failing to adhere to Company schedule of closing and settlement service fees and expenses.

Section 10-4-403, C.R.S., provides:

> (1) Rates shall not be excessive, inadequate, or unfairly discriminatory.

Section 10-3-1104(1)(f), C.R.S., defines unfair discrimination as:

> (II) Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates, charged for any policy or contract of insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever;

Adopted in part pursuant to the authority granted under §§ 10-1-109, 10-11-118, and 10-4-404, C.R.S., 3 CCR 702-3(3-5-1)(V) requires all title insurers offering title insurance and closing and settlement services in Colorado to comply with Colorado laws and regulations regarding rates and rating practices. Specifically, the regulation provides in pertinent parts:

> (A) Every title entity shall adopt, print, and make available to the public a schedule of fees and charges for regularly rendered closing and settlement services.[4]
>
> (F) Such schedule must be filed with the Commissioner in accordance with Section 118, Article 11, Title 10, C.R.S., and Part 4 of Article 4, Title 10, C.R.S., and any applicable regulation or regulations on rates, rate filings, rating rules, classification or statistical plans.
>
> (I) No title entity shall quote any fee or make any charge for closing and settlement services to any person which is less than that currently available to others for the same type of closing and settlement services in a like amount, covering property in the same county and involving the same factors, as set forth in its then currently effective schedule of fees and charges.

Notwithstanding the fact that the neither the Company, its direct Colorado operation, or any other Company agent filed a schedule of closing and settlement service fees and charges, many Company agents, including the Company's direct Colorado operation, maintained printed schedules of closing and settlement service fees and charges. The following sample demonstrated that, in some instances during 1998, the Company failed to adhere to its various

[4] The term "title entity" is defined by the regulation as title agents, title insurers and affiliates thereof.

printed schedules of closing and settlement service rates fees and charges when determining charges for such services.

TITLE POLICIES ISSUED-1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
55,221	100	65	65%

An examination of 100 systematically selected underwriting and accompanying escrow files, representing .18% of all new business title policies issued by the Company in Colorado during 1998, showed 65 instances (65% of the sample) wherein the Company conducted real estate or loan closing and settlement services in coordination with the issuance of title insurance policies and collected fees and charges for such services which deviated from the Company's pre-printed schedule of closing and settlement services fees and charges.

Many files reviewed contained more than one error, however, to maintain sample integrity, each file was considered as a singular error regardless of the total errors contained in the file. Thus, the error frequency reported above was 65%, however the 100 files reviewed contained a total of 91 unexplained deviations from the Company's printed schedules of closing and settlement service fees and charges. All the errors fell into specific sub-categories of closing and settlement service fees and charges as discussed and outlined below.

OVERCHARGES FOR MISCELLANEOUS FEES ASSOCIATED WITH CLOSINGS PERFORMED BY THE COMPANY'S AGENT

Misapplication of Express Fee Charges

In 27 of the 65 reported files (27% of the sample), the Company's agents collected monies from insureds for express mail and/or courier charges. Further review of the Company's various printed schedules of closing and settlement service fees and charges files demonstrated that, whenever a closing required an express mailing, the Company's practice was to charge a flat fee for the charges incurred. The Company's flat fee for express mailings varied by county and ranged from $10.00 to $20.00.

Although the Company's printed schedules of closing and settlement service fees and charges established a flat rate range of between $10.00 and $20.00 for each express mailing conducted by the Company and/or its agents in association with conducting a given closing, in these 27 instances the Company's files were not documented to show the actual charges incurred and, therefore, the examiners were unable to determine compliance with written Company procedures regarding settlement fees assessed in coordination with express mailings conducted.

Tax Certificate Charges

Ten (10) of the 65 reported files (10% of the sample) contained undercharges related to tax certificates obtained by Company agents on behalf of insureds in conjunction with closing services performed. A review of the Company's unfiled schedule of closing and settlement service fees and charges demonstrated that, in 1998, Company's printed schedule set forth a flat rate of $20.00 for each tax certificates obtained in conjunction the issuance of a title policy regardless of the actual cost incurred in obtaining the tax certificate. In the 10 instances reported here the Company only charged $15.00 for the tax certificate.

Overcharges of Miscellaneous Fees Associated with Closings

Seven (7) of the 65 reported files (7% of the sample) contained overcharges assessed by the Company and/or its agents for miscellaneous expenses incurred in the course of conducting real estate and/or loan closings. Such expenses included obtaining releases, miscellaneous scrivener and document preparation charges and various recordings. Many of the overcharges resulted from Company agents charging flat rates to defray the costs of such services. Since neither the Company or its agents had a printed schedule of closing and settlement service fees and charges containing any such flat rate charges, all monies collected in excess of the actual cost of performing or obtaining such goods or services resulted in the collection of excessive service charges. In addition, since such charges were not assessed consistently, the excess charges were unfairly discriminatory for those insureds paying the higher charges.

OVERCHARGES & MISCALCULATIONS OF CLOSING FEES

Forty-three (43) of the 65 reported files (43% of the sample) contained errors[5] in which the Company agents failed to adhere to the Company's printed schedule of closing and settlement service fees and charges when determining charges for real estate and/or loan closings. Specifically, these files contained errors in which Company agents made charges for basic closing fees that deviated from the Company and/or its agent's fee schedule. The 43 errors resulted in overcharges ranging between $10.00 and $100.00 and undercharges ranging between $15.00 and $75.00[6].

[5] Many of the 32 files reported here contained rating errors regarding closing fees for both the real estate and lender closing transaction. Where multiple closing fee errors occurred within a file, the file was only reported as a single error.

[6] The range of error reported here is based on the miscalculation or misapplication of a single closing fee, either real estate or lender. The range does not represent the total monetary error contained in a file with multiple closing fee errors.

Recommendation #10:

Within 30 days the Company should provide documentation demonstrating why it should not be considered in violation of §§ 10-3-1104(1)(f)(II) and 10-4-403(1), C.R.S. In the event the Company is unable to provide such documentation, it should be required to demonstrate that it has reviewed its schedules of closing and settlement service fees and charges and provide the Colorado Division of Insurance with assurances that all future closings services will be provided in accordance with the appropriate Company closing and settlement fee schedule.

Regarding the inequitable application of, and failure to adhere to the Company's printed schedules of closing and settlement service fees and charges which resulted in overcharges for some Colorado consumers, the Company should be required to perform a self audit from January 1, 1998 to present and return any excess monies collected as determined by the self audit.

Regarding miscellaneous closing fees and charges; the Company should be required to either adopt and implement procedures which will assure that the Company's agents will only bill for the actual amount of the goods or services used or procured in the closing transaction, or the Company should submit a filing to the Colorado Division of Insurance which supports the Company's practice of charging monies in excess of the actual costs incurred in conducting such services.[7] The Company should also provide written assurances that Company agents will not charge any miscellaneous closing fee or expense unless such charges are actually incurred and, whenever charges are collected up-front, excess money will be refunded when the services are not subsequently performed.

[7] Any fee filing made by a title insurance agency is subject to §10-4-401 et seq., and may not be excessive, inadequate, or unfairly discriminatory. In addition, a fee schedule waiver rule many conflict with 3 CCR 702-3 (3-5-1)(VI)(B)(8) which prohibits title insurance entities from:

> 8. Waiving, or offering to waive, all or any part of the title entity's established fee or charge for services which are not the subject of rates filed with the Commissioner.

A scheduled fee waiver rule that provides for the waiver or nominal amounts and is applied consistently and in a nondiscriminatory fashion may comport with the intent of the regulation.

PERTINENT FACTUAL FINDINGS

Relating to

CLAIMS PRACTICES

IssueK: Failure to adopt and/or implement reasonable standards for the prompt investigation of claims.

Section 10-3-1104(1)(h), C.R.S., defines an unfair claims settlement practice as:

> (III) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	45	100%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 45 instances (100% of the sample) wherein the Company failed to adopt and/or implement reasonable standards for the prompt investigation of claims arising under insurance policies.

Many files reviewed contained more than one error, however, to maintain sample integrity, each file was considered as a singular error regardless of the total errors contained in the file. Thus, the error frequency reported above was 100%, however the 45 files reviewed contained a total of 103 errors. As specified by the heading of this issue, the 103 errors fell into two broad categories. One category was comprised of errors resulting from the Company's failure to implement it own claim handling procedures. The second category resulted from the Company's failure to adopt certain rules and/or procedures requisite to facilitate the prompt investigation or handling of claims arising under title insurance policies. Specific findings were as follows.

I. FAILURE TO IMPLEMENT COMPANY STANDARDS

FAILURE TO IMPLEMENT 30-DAY DETERMINATION OF COVERAGE RULE:

Although not contained in the Company's claim manual, a review of the 45 claim files representing 100% of all claims submitted to the Company in Colorado during 1998 demonstrated that the Company procedures required Company adjusters to make a determination of coverage within 30 days after receipt of notice of the claim. Specifically, 2 of the 45 files reviewed by the examiners contained letters addressed to the insured claimant informing the claimant that the Company was unable to make a determination into coverage within the prescribed 30 day period. The referenced letters stated:

> We are required to provide notice to you that we have been unable to make a coverage determination within thirty (30) days of notice of claim to us and the time for such determination will need to be extended until we have had an

> opportunity to investigate all of the documents and other information associated with this claim
>
> Generally, the regulations under which the Company administers claims allow the Company 30 days after receipt of a notice of claim (April 10, 1998) to complete its investigation and provide the insured with a written determination of coverage. If we are not able to do so we are required to give the insured a written explanation of why we have not been able to do so. The delay must be reasonable and necessary. If you have any questions or comments, please contact me.

Aside from the 2 claim files containing letters informing the claimants that Company procedure requires the Company to make a determination into coverage within 30 days of receipt of notice of the claim or, if such determination is not practicable, inform the insured of the reason or reasons such determination could not be made, none of the remaining 43 files reviewed by the examiners contained information demonstrating the Company notified the claimant of the 30 day standard even where a determination of coverage was not made within the 30 day period. Based on this finding the examiners asked the Company to explain why the apparent preferential treatment of the two claims afforded the 30 standard should not be considered unfairly discriminatory to those claimants not afforded the standard. The Company's responded by stating that there was no discrimination as the standard applied equally to all Colorado insureds.

As set forth above, the Company's 1998 claim handling procedures required the Company to make a determination into coverage within 30 days of receipt of notice of the claim or, if such determination was not practicable, inform the insured of the reason or reasons such determination could not be made. Notwithstanding this requirement, 41 of the 45 claim files reviewed were claims in which the Company's adjuster failed to make a determination into coverage within the 30 day time period and failed to provide the insured claimant with a notice indicating such determination could not be made within the prescribed time period and which specifically indicating the reasons why a determination of coverage could not be made.

FAILURE TO IMPLEMENT 10-DAY ACKNOWLEDGMENT RULE:

A review of the Company's claims manual demonstrated that in 1998 the Company adopted a specific procedure regarding acknowledgment of a claim. Specifically the manual provided:

> The receipt of notice of claim must be promptly acknowledged. Regulations in Missouri, our state of incorporation, require such acknowledgement within ten working days from receipt of notification

> with file documentation. This should be followed in all cases unless a given jurisdiction has a more stringent rule.

Chicago Title Insurance Company, CLAIMS MANUAL, CTI's Claim System Section at pp. C-2 (ed. 3/84).

In 10 of the 45 reported files the Company failed to acknowledge claims within 10 days of receipt of the respective claim as required by operation of the Company's claims manual. In 9 of these instances the Company's inability to meet the 10-day standard for acknowledging receipt of claims was largely due to the failure of Company agents to promptly forward claims to the Company. In the other instance the Company received direct notice of the claim, however, the Company failed to acknowledge receipt of the claim within the specified 10-day period.

FAILURE TO IMPLEMENT COMPANY RULE REQUIRING PERIODIC CERTIFICATION OF CLAIM RESERVE:

A review of the Company's claims manual demonstrated that in 1998 the Company had adopted specific procedures regarding updating and tracking open claim files. Specifically the manual provided:

> It is necessary that all claims be reviewed quarterly and certification on the first days of February, May, August and November that the reserve established is still appropriate.
>
> [T]he loss estimate of every open Claim Card must be reviewed with particular emphasis on the loss estimate propriety at least once every three months.

Chicago Title Insurance Company, CLAIMS MANUAL, CTI's Claim System & General Introduction Sections at pp. C-11& B-34 (revised eds. 3/84 &1/83).

In 27 of the 45 reported files the Company's adjuster failed to review the respective claim file, certify the reserve, and/or review the loss estimate every three months or quarterly as required by the cited Company claim handling procedure. These errors were often attributable to file documentation problems. Specifically, instead of including adjuster notes, updates or status reports in the Company's claim files, Company adjusters would write a date on the cover of the claim file intended to indicate the file had been periodically reviewed. This dating generally occurred in 2, 3 or 4 month intervals. Notwithstanding this practice, each file reported here did not contain information regarding the status or handling of the claim or other information demonstrating the file had been reviewed in accordance with the cited Company rule. Thus the 27 files discussed here were void of any status updates or other file documentation for periods ranging between 113 and 295 days.

FAILURE TO IMPLEMENT COMPANY RULE REQUIRING COMPANY ADJUSTERS TO MONITOR CLAIMS ASSIGNED TO OUTSIDE COUNSEL:

The Company's claims handling manual contained the following provisions regarding supervision of claims assigned to outside counsel:

> In-house counsel is responsible for all legal work, not simply that which is done in-house.
>
> Supervision. In-house counsel has the responsibility for supervision. That involvement in supervision of outside counsel's work is a function of the size and importance of the matter. In "stand alone matters it should be limited. At the same time, we always have the obligation to ensure that outside counsel is moving forward with the project. To the extent necessary, we need to be the squeaky wheel.
>
> Retention of Outside Counsel. The Importance of the process of retention cannot be overemphasized. It is necessary to establish a good working relationship between inside and outside counsel with clearly understood ground rules, a well defined division of responsibilities, and open lines of communication.

Chicago Title Insurance Company, CLAIMS MANUAL, CTI's Claim System Section at pp. C-17.2, C-17.10, & C-17.14 (ed. 3/84).

In addition to the standards for reviewing and monitoring claims assigned to outside counsel set forth above, the Company's standard litigation guidelines used in conjunction with hiring outside counsel indicate that any outside counsel retained or hired by a Company adjuster must provide the Company, free of charge, a monthly status report for the matter referred (*See* Company claims manual C-17.8).

Twelve (12) of the 45 reported files were files which were eventually assigned to outside counsel, however, none of the 12 files contained the monthly status reports referred to in both the Company's claims manual and in Company form letters used to retain outside counsel. Equally, none of the 12 files reported here contained any form of retention letter or agreement, written or oral, which established ground rules, defined responsibilities, or otherwise facilitated open communications between the Company representative and outside counsel.

In addition the absence of any file documentation, periodic updates, and correspondence between the adjuster and outside counsel in these twelve files indicated that the respective Company adjuster did not comply with provisions of the Company's claim manual cited above which required more active interaction between the adjuster and outside counsel. Failure to implement Company claims handling procedure's regarding the monitoring, supervising and/or

documentation of work conducted by outside counsel in conjunction with handling Company claims resulted in claims remaining idle for periods ranging between 76 and 254 days.

The idle period discussed above which frequently occurred when Company adjusters hired outside counsel to assist in handling a claim demonstrated that, whenever the Company delegated the handling of a claim to outside counsel, the Company failed to monitor, document or otherwise update or supervise the claim to assure fair, equitable and prompt handling as required by §§10-3-1104(1)(h) et seq., C.R.S. Although the Company's claims manual contained a specific set of rules regarding monitoring and/or updating claim files involving situations where outside counsel was procured to assist in handling a Company claim, the Company's adjuster failed to follow those standards as required by Colorado law.

FAILURE TO IMPLEMENT COMPANY RULE REQUIRING COPY OF INSURANCE POLICY BE RETAINED IN CLAIM FILE:

The Company's claim manual contained the following regarding the investigation of a claim:

> It is self evident that any investigation must begin with a review of the policy or other agreement under which the claim is asserted. No claims file is complete without a copy of the policy.

Chicago Title Insurance Company, CLAIMS MANUAL, CTI,s Claim System Section at p. C-3 (revised ed. 3/84).

Three (3) of the 45 files reviewed did not contain a copy of the insured claimant's policy as required by the Company's claim manual cited above, thereby demonstrating the Company's apparent failure to implement its own claim handling procedures as required under Colorado law.

FAILURE TO IMPLEMENT COMPANY RULE REQUIRING ALL CLAIM PAYMENTS TO BE DOCUMENTED BY A CLAIMS TRANSMITTAL NOTICE:

Whenever a disbursement was made by the Company in 1998 in coordination with a claim, whether a loss or adjustment expense, the Company's claim manual required the adjuster to fill out a Claims Transmittal Notice (CTN)(*See* Company Claims Manual at p. B-33). In 1 of the 45 reported files attorney's fees were paid in coordination with handling the claim; however, no such form was included in the file. This does not comply with §10-3-1104(1)(h)((III), C.R.S., which requires all insurers to implement their own claims handling procedures.

FAILURE TO IMPLEMENT COMPANY RULE ADOPTED TO FACILITATE PROMPT INVESTIGATION OF CLAIMS:

The Company's 1998 claims manual establishes certain procedures and guidelines designed to facilitate the prompt investigation of claims arising out of title insurance polices issued by the Company. One such rule requires Company adjusters to fill out a "Claim Card" upon receipt of a claim. The "Claim Card" form required the adjuster to obtain initial information regarding the claimants, coverage, and other essential information pertinent to the Company's investigation into a claim. In 1 of the 45 reported files the adjuster handling the claim failed to complete the initial Claim Card (CTI form F. 3312R10/82) for the claim.

II. FAILURE TO ADOPT REASONABLE STANDARDS FOR PROMPT INVESTIGATION OF CLAIMS

FAILURE TO ADOPT PROCEDURES TO MONITOR CLAIMS DURING PERIOD IN WHICH COMPANY AGENTS ADJUST CLAIMS:

Eight (8) of the 45 files reported here contained claim handling delays incurred during periods in which Company agents attempted to adjust, settle or otherwise satisfy Company claims. Several of the 8 claims discussed here were initially submitted to a Company agent, however, each agent failed to forward the claim to the Company for periods in excess of 60 days.

A review of the Company's claims manual and various claims demonstrated that, although the Company acquiesced to agents handling Colorado claims in 1998, the Company failed to adopt and/or implement procedures to monitor the claims handling process during periods in which Company agents endeavored to manage claims. Furthermore, a review of the Company's claim manual demonstrated that the Company failed to adopt and/or implement procedures requiring agents to forward claims to the Company or notify the Company of receipt of a claim to obviate delays like those discussed above.

Whenever an insurer routinely delegates claims handling functions, whether such delegation is expressed or implied by affording agents the opportunity to cure a defect, the insurer should adopt and implement procedures for monitoring assigned claims to assure the claim is processed in compliance with Company standards and Colorado laws. The Company's failure to adopt specific procedures for monitoring, updating, and/or otherwise tracking open claim files handled by Company agents combined with the absence of adjuster or file notes and lengthy idle periods and/or delays does not comply with §10-3-1104(1)(h)(III).

Recommendation #11:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of § 10-3-1104(1)(h)(III), C.R.S. In the event the Company is unable to show such proof, it should provide evidence that it has reviewed all Company rules, manuals and procedures relating to the investigation and handling of claims and that it has adopted reasonable procedures to assure the Division of Insurance that all claims will be acknowledged, handled, adjusted, and/or investigated in accordance with Colorado Insurance Laws.

Issue L: Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear.

Section 10-3-1104(1)(h) defines an unfair claims settlement practice as:

> (VI) Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	8	18%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 8 instances (18% of the sample) wherein the Company's overall handling of a claim demonstrated failure to make a good faith effort to effectuate prompt, fair and equitable settlement of claims.

In these eight files the severity, nature, and frequency of incidents of non-compliance with both provisions of the Colorado Unfair Claims Settlement Practices Act and internal Company claims handling procedures demonstrated a general failure by the Company to act in good faith to effectuate prompt fair and equitable settlement of claims under circumstances where liability was reasonably clear. Specific findings were as follows:

In one file, the Company's agent forwarded a claim and accompanying material regarding the claim to the Company on November 19, 1998. Included along with the forwarded material was a letter from an attorney indicating the attorney had been retained by the insured to resolve a matter regarding access to land of which the Company had insured title. Although the Company initially acknowledged receipt of the claim, the Company failed to follow procedural claim guidelines in handling the claim and the Company never investigated or researched the claim, never sent a reservation of rights or an agreement or letter retaining counsel, or never sent a letter indicating a determination of coverage could not be made within the usual 30 day time period, all the while allowing the insured to accrue $4,819.69 in legal fees. Without any documented investigation or other file documentation demonstrating events that transpired during the interim, finally, on May 17, 1999, 149 days after receiving notice of the claim, the Company raised coverage issues and offered to settle the claim for $2,000.

In another of the eight files, the Company received notice of a claim on August 25, 1998. The letter providing notice of the claim also put the Company on notice that the insured was represented by outside counsel. A letter in the file authored by the Company's adjuster dated September 24, 1998 stated that the Company would withhold a decision regarding coverage pending the outcome of a Rule 120 hearing (stay of foreclosure hearing). No determination of

coverage, reservation of rights, or offer to tender a defense or pay litigation costs was ever made.

In the adjuster's September 24, 1998 letter, the Company's adjuster indicated the claim might not be covered, however, the adjuster indicated that a final determination into coverage would be made after the Rule 120 hearing. No further communications, letters, adjuster notes or other information was contained in the file until June 4, 1999, 254 days after the Company adjuster's last correspondence with the claimant's attorney.

Although the Company's 1998 claims manual contained specific rules regarding retention and use of outside counsel, these rules were not followed in handling the claim. Specifically, neither in-house counsel nor the adjuster took responsibility for the legal work and the legal work was not supervised in compliance with Company's own rule. In addition, the Company never took any steps to tender a defense or otherwise define the scope of representation in accordance with the principles set forth under the Company's claims manual.

On July 15, 1999, another Company adjuster reviewed the file. That adjuster wrote a memo to file that stated:

> [The previous adjuster's] response of September 24, 1998 to the attorney for our insured owners states that this "case is somewhat unusual in that there are factors pointing towards coverage as well as matters which indicate non-coverage."
>
> There has been no further correspondence on this matter until June 4, 1999 (8 months). At which time [the prior adjuster] wrote to the insured attorney seeking a status of the Rule 120 hearing, regarding the stay of foreclosure proceeding.
>
> Recordation: Unless this matter has been resolved by counsel for the insureds, a determination of coverage needs to be made very soon. The reserve of $1,000 should be reexamined upon response to [the prior adjuster's] status inquiry letter of June 4, 1999.

As of November 30, 1999, no determination of coverage had been made. The delays contained in the file and the absence of file documentation and a thorough investigation, coupled with the fact that the file remains open without a determination as to coverage demonstrate non-compliance with §10-3-1104(1)(h)(VI), C.R.S.

In a third file the Company made a determination of coverage and retained outside counsel on behalf of its insured. The outside counsel declined to enter an order of appearance as the general contractor that constructed the improvement on the estate of which the Company insured title had signed an indemnity agreement and, under the terms and conditions of that

agreement, accepted responsibility for the insured's litigation costs. The general contractor also posted a lien bond on behalf of the insured. Despite outside counsel's decision to not enter an order of appearance, outside counsel agreed to monitor the case to protect the insured's interest and to provide status updates to the Company.

One hundred eighty-five (185) days after outside counsel agreed to monitor the claim for the Company, the adjuster wrote counsel for an update. When outside counsel failed to respond to the request for an update for more than 30 days, another Company adjuster sent a second request for an update. One hundred and thirty-one (131) days later (355 days after retained counsel's last correspondence in which counsel agreed to monitor claim to protect the insured's interest) the attorney retained by the Company to monitor the claim wrote a letter to the Company indicating the matter had been resolved favorable to the insured's interest

The delays contained in the file and the absence of file documentation and a thorough investigation, coupled with the fact that the file remained open and idle for extended periods without a determination as to coverage or outcome of the issue demonstrate non-compliance with §10-3-1104(1)(h)(VI), C.R.S.

In a fourth instance, an attorney representing an insured wrote a letter to the Company dated providing notice of the claim. The Company's agent wrote a memo to the file indicating that agent was forwarding the claim to the Company, however, the agent failed to forward the file to the Company and the claim remained idle for 17 days. Fifty-seven (57) days after the Company's agent first received notice of the claim, the Company sent an acknowledgment letter to the insured's attorney.

Later, the insured's attorney wrote the Company a letter indicating that the boundary dispute in question was based on an adverse survey and that coverage was in order. In response, the Company's adjuster wrote a letter to the insured's attorney indicating the Company would hire a surveyor to determine coverage. The Company's adjuster hired outside counsel to procure services of a surveyor and to communicate locally with necessary parties and cure any title defects. The attorney hired by the Company wrote a letter to a survey firm requesting a survey of the disputed property boundary. Sixty-two (62) days later the first surveyor hired by the Company's outside counsel indicated that his firm did not conduct full property surveys for boundary disputes. Based on the new information, outside counsel wrote a letter to another surveyor to perform the survey.

After the second survey firm failed to respond to the attorney's request, the Company's outside counsel wrote the new surveyor a second letter referring to a telephone conversation with the surveyor in which the surveyor agreed he would conduct the survey for the boundary dispute. The letter indicated that the survey could not be conducted within the time frame initially agreed to because of snow. Subsequently. The insured's Counsel wrote the Company adjuster complaining that despite representations made by the adjuster, she nor her client had been kept apprised of the progress of the claim since she first gave notice of the claim. Ninety-six (96)

days after the Company made a determination that a survey would have to be obtained prior to accepting or denying coverage; the requisite survey had not been obtained. The letter also requested the adjuster to get involved in handling and monitoring the claim as the Company's outside counsel had "dropped the ball."

After threat of litigation, the Company's adjuster wrote the insured's attorney indicating that, in light of delays, the Company had procured the services of a third surveyor to assist in the problem. The letter indicated that the Company had experienced unusual difficulty in obtaining the survey. The first and second surveyors hired did not prioritize the Company's request and never completed the survey. In addition, the Company's attorney had experienced personal problems, further complicating completion of the survey. Finally, the letter indicated a third surveyor had been retained and the requisite survey would be forthcoming. One hundred thirty six (136) days after the Company adjuster determined a survey was necessary prior to determining coverage, the second surveyor finally completed the survey and forwarded the survey to the Company's outside counsel.

In addition to the above, during the lengthy interim in which the Company's adjuster attempted to obtain a survey, the adjuster made several qualified denials regarding coverage. Specifically, although the insured's attorney informed the Company that the boundary dispute in question was based on an adverse survey and that, since the insured had purchases Owner's Extended Coverage (OEC), coverage was in order, the Company's adjuster continued with attempts to categorize the claim as a non-covered trespass or an action in adverse possession. Furthermore, issuing OEC and the incidental survey coverage without a survey was contrary to the Company's underwriting guidelines. If the company had followed its own underwriting guidelines in issuing the underlying policy for the claim, the delays experienced in obtaining the survey would never have occurred because a survey would have been contained in the underwriting or escrow file.

The delays contained in the file and the absence of file documentation and a thorough investigation, coupled with the adjuster's and qualified denials and the fact that the file remains open without a determination as to coverage or other file documentation demonstrating the matter has been resolved demonstrate possible non-compliance with 10-3-1104(1)(h)(VI), C.R.S.

In another file, the Company retained the insured's counsel to assist in resolving a claim by obtaining a subordination agreement from another lien holder, however, the Company's representative failed to monitor the claim in compliance with Company claim handling procedures regarding hiring and use of outside counsel. As a result, there were several lengthy delays in resolving the claim. These delays were caused by the insured's attorney, however, the adjuster failed to take steps to follow up or otherwise investigate the cause of the delays.

In addition to the delays caused by the adjuster's failure to monitor the claim, the Company failed to pay the insured's attorney a $1,000 fee for obtaining a Subordination Agreement as set

forth and agreed by the adjuster in a letter to the insured's attorney. Although the insured's attorney delivered a copy of the Subordination Agreement to the Company, the adjuster never verified that a check or a draft was issued to cover the insured's legal fees incurred in the course of obtaining the Subordination Agreement. In addition, the adjuster did not investigate whether the insured had paid the attorney's fees and whether, under such circumstances, reimbursement was in order.

The delays contained in the file under circumstances where both liability and a manner of resolution were reasonably clear and succinct, combined with the fact that the adjuster closed the file without paying $1,000 of the attorney's fees as agreed demonstrate non-compliance with Colorado laws requiring insurers to effectuate prompt, fair, and equitable settlement of claims.

In another instance the Company received notice of a claim via a letter dated August 6, 1998 from an attorney hired by an insured to assist in resolving a boundary dispute. The Company acknowledged the claim in a letter addressed to the insured's attorney dated August 17, 1998 and indicated that the claim would be forwarded to the Company's Dallas office for review. Sometime between August 17, 1998 and September 9, 1998, the company's Regional Claims Manager sent the insured's attorney a Notice of Claim form which the attorney completed and returned along with a letter dated September 9, 1998.

On September 11, 1998, the Company's adjuster wrote the insured's attorney another letter requesting additional information. Although the adjuster's letter asked the insured's attorney to provide additional information, the letter did not indicate the attorney would not be reimbursed for his services.

Instead, the letter implied that the attorney should continue with the matter unless the matter proceeded to litigation. On October 2, 1998, the insured's attorney sent the Company a statement for his services and requested payment. In a letter dated October 9, 1998, after the Company had worked with the insured's attorney at the implied behest of the adjuster for a period of 64 days, the Company's adjuster informed the insured's attorney that the Company hired other counsel to handle the matter and the Company will not pay the insured's attorney fees incurred during the initial investigation prior to the Company' accepting coverage.

The fact that the Company adjuster's used the services of the insured's attorney to investigate the claim without informing the attorney that he would not be reimbursed for his services until the attorney submitted a bill 64 days after first notifying the Company of the claim does not comport with Colorado laws requiring insurers to effectuate fair and equitable settlement of claims. This is especially true where the Company failed to make a determination as to coverage within 30 days or inform the insured why such determination could not be made as required by the Company's claims handling procedures. In addition, the insured later requested reimbursement for the attorney fees, however, the Company continued to deny the request. This denial does not appear to be fair or equitable since the Company failed to inform the insured it would not

cover such until February 23, 1999, 201 days after the Company first received notice of the claim from the insured's attorney.

In another instance the Company adjuster experienced several delays in investigating a claim file, especially during the initial period following the inception of the claim (i.e. not responding to communications from insured's attorney for 35, 93, 131, and 142 day intervals). The delays continued and, despite repeated letters from the insured's attorney indicating any delay was detrimental to his clients attempts to refinance the property, the Company's adjuster did not respond to the insured's attorney's inquiries and did little or nothing to further the investigation of the claim.

Communications from the insured or the insured's attorney were not acknowledged promptly until the insured's attorney filed an action against the Company. Equally, the file was not documented or reviewed and no reasonable investigation of the claim ensued until after the action was filed. These facts demonstrated non compliance with §10-3-1104(1)(h)(VI), C.R.S.

A basic chronology of the eighth and final file reported under this issue and pertinent to the examiners' findings follows:

4/4/95[8]	The Company received notice of the claim.
4/12/95	The Company's adjuster acknowledged claim. Adjuster stated that insured must provide a copy of his policy prior to adjuster proceeding with claim.
4/14/95	Insured sent Company adjuster copy of policy. **Adjuster did not acknowledge receipt of the policy.**
6/1/95	**48 days** after receiving insured's policy from the insured, the adjuster wrote the issuing agent requesting assistance in the investigation. Adjuster did not apprise insured of activity.
7/6/95	Insured wrote adjuster stating the insured forwarded a copy of his policy and asking for an update. **Adjuster did not respond to the insured's letter.**
7/18/95	The Company received information from initial agent who indicated the agency did not issue the policy or research the title. Adjuster wrote another agent with a similar agency name to ascertain whether that agent issued the policy.
8/3/95	Second title agent responded to the adjuster's request for additional information.

[8] The population and resultant sample reviewed by the examiners was to be comprised of claims submitted against the Company during 1998. The Company generated a list of 1998 claims from the Company's system using filed that restricted any claim prior to 1998 and continued until present. For some unexplained reason this claim appeared on the system as being opened in 1998. The file was not documented to indicate the filed was closed and reopened. Since the claim was included in the Company's list or population of claims submitted in 1998 and the examiners verified the Company appropriately restricted its search fields to include only claims submitted in 1998, the examiners included this file in the population and resultant sample as the Company's system indicates the claims originated in 1998.

8/4/95	**Insured wrote a second letter** to the Company's adjuster reiterating the insured's 7/6/95 letter and again requested an update.
8/9/95	**34 days after the insured requests an update,** the Company's adjuster responds to the insured's request. Adjuster apologizes for the delay.
8/9/95	Adjuster wrote the second title agency another letter asking for additional research and the agent's opinion regarding the claim.
10/12/95	65 days later, The insured wrote the adjuster. The Insured's letter referenced the adjuster's conversation with insured's attorney in the prior month.
11/9/95	295 days after first receiving notice of the claim the adjuster responded to the insured's 10/12/95 letter stating the Company needs a survey before making a decision regarding coverage. Adjuster asked the insured if the insured would agree on a surveyor in the area.
11/14/95	Insured responded to the adjuster's 11/9/95 letter.
12/14/95	Insured's attorney wrote adjuster.
1/3/96	Based on the content of the letter written by the insured's attorney, the Company's adjuster offers $3,000 to settle the claim.
1/10/96	The insured wrote the adverse party a letter offering resolution.
4/23/97	**477 days after the last correspondence** or other documentation contained in the file, the insured's attorney wrote the Company's adjuster stating that, due to a change in circumstances, prior attempts to resolve the claim had failed. **The Company's adjuster did not respond to the attorney's letter. The insured's attorney indicated that, since he had not heard form the Company, he assumed the $3,000 settlement offer remained valid. <u>Adjuster did not respond</u>**.
8/19/97	**118 days after the last letter from the insured's attorney,** the attorney again wrote the Company adjuster requesting payment for a survey and settlement authority of $3,000. **<u>Adjuster did not respond</u>**.
4/16/98	240 days after the last letter from the insured's attorney, the attorney apprised the adjuster of the progress of the claim and requested payments totaling $1,917.00
5/11/98	Adjuster paid claim. **Neither the transmittal letter or the draft stated reason for payment.** Instead, the transmittal letter stated payment was made per the attorney's prior correspondence.
10/22/98	**Company auditors reviewed the file and criticized the adjuster's failure to periodically update the reserve.**
10/28/98	170 days later**, the insured's attorney wrote the adjuster to inform the adjuster the matter was resolved.**
7/8/99	**253 days after receiving letter from insured attorney indicating the matter was resolved, the adjuster closed the file and adjusted the reserve accordingly.**

The frequency of delays contained in the file as outlined above and the absence of file documentation and a thorough investigation, coupled with the fact that, on several occasions, the

Company's adjuster failed to respond to communications from the insured or his attorney demonstrate non-compliance with 10-3-1104(1)(h)(VI), C.R.S., which requires insurers to act in good faith to effectuate prompt, fair, and equitable settlement of claims arising under insurance policies

Recommendation #12:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered to be in violation of § 10-3-1104(1)(h)(VI), C.R.S. In the event the Company is unable to provide such documentation, the Company should be required to provide evidence that it has reviewed its procedures regarding the prompt fair and equitable settlement of claims and has implemented procedures which will assure future compliance with Colorado Insurance Laws.

Issue M: Failure to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

Section 10-3-1104(1)(h), C.R.S., defines an unfair claims settlement practice as:

> (II) Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	7	16%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 7 instances (16% of the sample) wherein the Company failed to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

In 3 of the 7 reported instances the Company's failed to timely acknowledge receipt of claims submitted to Company agents. The delays were caused by the respective agent's failure to forward the claim to the Company. The failure of the Company's agents to forward notice of these three claims to the Company resulted in unusual delays in acknowledging receipt of each claim and no acknowledgment occurred until 37, 38 and 57 days after the agent first received notice of the respective claim.[9]

In the remaining 4 reported instances the Company received claims related correspondence from insureds and failed to either act upon and/or acknowledge those communications. In one instance the insured sent notice of a claim and indicated an attorney represented the insured. The insured failed to provide an address for the insured's attorney in the notice letter. Inasmuch as the Company's adjuster was also an attorney, the adjuster believed direct contact with the insured would violate professional ethics. Since the adjuster did not have a complete address for the insured's attorney, and the adjuster believed it was unethical to contact the insured directly, the adjuster declined to acknowledge receipt of the claim.

In another instance the file was not documented to show the actual date the Company received notice of the claim, however, the examiners were able to approximate the date the Company first received notice of the claim through an examination of other file documentation. In this

[9] As discussed in Issue N of this report the Company's claims manual requires all claims to be acknowledged within 10 days of receipt of notice. Notwithstanding the fact that the Company's failure to meet its 10 standard in these 3 instances also resulted in a finding that the Company failed to implement its own claims handling procedures, the Company's acknowledgment of the 3 claims reported here were also in excess of 30 days which is not reasonable as defined by §10-3-1104(1)(h)(II).

instance the Company did not acknowledge receipt of the claim until at least 49 days from the date the Company most likely first received notice of the claim.

In another instance, the insured wrote the Company's adjuster and requested the adjuster to reconsider a previous denial. The adjuster wrote the insured and informed the insured the adjuster would retrieve the insured's file and review the claim. As of the date of this report, 304 days after receipt of the insured's request, the adjuster has not retrieved the insured's file or otherwise reviewed the claim.

In a final instance, the Company's adjuster wrote an insured and informed the insured that the Company needed additional information and time to investigate the insured's claim. Shortly after writing the insured the adjuster received the additional information requested, however, the adjuster failed to investigate or otherwise act on the additional information until 45 days after the adjuster received the additional information.

Recommendation #13:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of § 10-3-1104(1)(h)(II), C.R.S. In the event the Company is unable to provide such information, it should provide evidence that it has reviewed its procedures relating to the handling of claims and that it has adopted reasonable procedures to assure the Division of Insurance that all communications with respect to claims arising under insurance policies will be acknowledged and acted upon in accordance with statutory requirements.

Issue N: Failure to produce and/ or maintain adequate records for market conduct review.

Pursuant to the authority granted by § 10-1-109, C.R.S., Colorado Insurance Regulation 1-1-7 was adopted to assist the commissioner in carrying out market conduct examinations in accordance with Colorado law. Colorado Insurance Regulation 1-1-7 provides in pertinent parts:

B. RECORDS REQUIRED FOR MARKET CONDUCT PURPOSES

1. Every insurer/carrier or related entity licensed to do business in this state shall maintain its books, records, documents and other business records so that the insurer's/carrier's or related entity's claims, rating, underwriting, marketing, complaint, and producer licensing records are readily available to the commissioner. Unless otherwise stated within this regulation, records shall be maintained for the current calendar year plus two calendar years.

2. A policy record shall be maintained for each policy issued in this state. Policy records shall be maintained for the current policy term, plus two calendar years, unless otherwise contractually required to be retained for a longer period. Provided, however, documents from policy records no longer required to be maintained under this regulation, which are used to rate or underwrite a current policy, must be maintained in the current policy records. Policy records shall be maintained as to show clearly the policy term, basis for rating and, if terminated, return premium amounts, if any. Policy records need not be segregated from the policy records of other states so long as they are readily available to the commissioner as required under this rule. A separate copy need not be maintained in the individual policy records, provided that any data relating to that policy can be retrieved. Policy records shall include:

a. The application for each policy, if any;

b. Declaration pages, endorsements, riders, termination notices, guidelines or manuals associated with or used for the rating or underwriting of the policy. Binder(s) shall be retained if a policy was not issued; and

c. Other information necessary for reconstruction of the rating and underwriting of the policy.

3. Claim files shall be maintained so as to show clearly the inception, handling and disposition of each claim. A claim file shall be retained for the calendar year in which it is closed plus the next two calendar years.

4. Records relating to the insurer's/carrier's or related entity's compliance with this state's producer licensing requirements shall be maintained, which shall include the licensing records of each agency and producer associated with the insurer or related entity. Licensing records shall be maintained so as to show clearly the dates of the appointment and termination of each producer.

5. The complaint records required to be maintained under Section 10-3-1104, C.R.S. and Regulation 6-2-1.

Records required to be retained by this regulation may be maintained in paper, photograph, microprocess, magnetic, mechanical or electronic media, or by any process which accurately reproduces or forms a durable medium for the reproduction of a record. A company shall be in compliance with this section if it can produce the data which was contained on the original document, if there was a paper document, in a form which accurately represents a record of communications between the insured and the company or accurately reflects a transaction or event. Records required to be retained by this regulation shall be readily available upon request by the commissioner or a designee. Failure to produce and provide a record within a reasonable time frame shall be deemed a violation of this regulation, unless the insurer or related entity can demonstrate that there is a reasonable justification for that delay.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	20	44%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 20 instances (44% of the sample) wherein the Company failed to adequately document claim files sufficient to allow the examiners to determine compliance with Colorado law. Specifically, in these 20 instances the claims files were not adequately documented to clearly show the inception, handling and/or disposition of the respective claim.

Recommendation #14:

Within 30 days, the Company should provide written documentation demonstrating why it should not be considered in violation of 3 CCR 702-1(1-1-7), as authorized by §10-1-109, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating the Company has reviewed its procedures pertaining to record maintenance in the context of claims handling.

Once the Company has reviewed those procedures, the Company should be required to demonstrate it has amended its claims manual and implemented procedures which will assure claim files will be maintained.

Issue O: Making claims payments to insureds or beneficiaries without including a statement setting forth the coverage under which the payment is being made.

Section 10-3-1104(1)(h), C.R.S. defines an unfair claims settlement practice in the business of insurance as:

> (X) Making claims payments to insureds or beneficiaries not accompanied by statement setting forth the coverage under which the payments are being made.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	3	7%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 3 instances (7% of the sample) wherein the Company made claims payments to insureds or beneficiaries without including a statement setting forth the coverage under which the payments were made.

Recommendation #15:

Within 30 days, the Company should provide written documentation demonstrating why it should not be considered in violation of § 10-3-1104(1)(h)(X). In the event the Company is unable to provide such documentation, the Company should be required to provide evidence demonstrating the Company has reviewed its procedures pertaining to the payment of claims and has implemented procedures which will assure future compliance with the requirements of the statute.

PERTINENT FACTUAL FINDINGS

Relating to

FINANCIAL REPORTING

Issue P: Failure to file a Colorado Uniform Financial Reporting Plan and/or failure to submit an annual filing of sufficient financial data to justify Company rates.

Section 10-4-404, C.R.S. provides in part:

> (1) The commissioner shall promulgate rules and regulations which shall require each insurer to record and report its loss and expense experience and such other data, including reserves, as may be necessary to determine whether rates comply with the standards set forth in section 10-4-403. Every insurer or rating organization shall provide such information and in such form as the commissioner may require. No insurer shall be required to record or report its loss or expense experience on a classification basis that is inconsistent with the rating system used by it. The commissioner may designate one or more rating organizations or advisory organizations to assist him in gathering and in compiling such experience and data. No insurer shall be required to record or report its experience to a rating organization unless it is a member of such organization.

Colorado Insurance Regulation 3 CCR 702-3(3-5-1(VII)), adopted in part to the authority granted under §10-4-404, C.R.S. provides:

> K. Each title entity on an annual basis shall provide to the Commissioner of Insurance sufficient financial data (and statistical data if requested by the Commissioner) for the Commissioner to determine if said title entities' rates as filed in the title entities' schedule of rates are inadequate, excessive, or unfairly discriminatory in accordance with Part 4 of Article 4 of Title 10, C.R.S.
>
> Each title entity shall utilize the income, expense and balance sheet forms, standard worksheets and instructions contained in the attachments labeled "Colorado Uniform Financial Reporting Plan" and "Colorado Agent's Income and Expense Report" designated as attachments A & B and incorporated herein by reference. Reproduction by insurers is authorized, as supplies will not be provided by the Colorado Division of Insurance.

3 CCR 702-3(3-5-1) requires all title insurers authorized to provide coverage in Colorado to annually file a “Colorado Uniform Financial Reporting Plan” in a format described and appended to the regulation as “Attachment A”.

In addition, the regulation requires all title insurers to file sufficient financial data and, upon request, statistical data to justify the title insurers rates and otherwise assure the rates used by the Company comply with the requirements of §10-4-403 et. Seq., C.R.S., and are not excessive, inadequate, or unfairly discriminatory.

A review of the Company's 1998 financial statement and related documents and filings demonstrated that the Company failed to file a Colorado Uniform Financial Reporting Plan [3 CCR 702-3 (3-5-1) attachment A] as required by the regulation. In addition, the Company failed to file sufficient financial data to allow the Division to determine whether rates used by the company were excessive, inadequate, or unfairly discriminatory.

Based on the above, the examiners requested representatives of the Colorado Division of Insurance review the Company's 1998 financial statement and related filings to verify the above. That review demonstrated that the Company did not file the requisite Colorado specific report and/or financial data.

Recommendation #16:

Within 30 days, the Company should demonstrate why it should not be considered in violation of the financial data filing requirements established under 3 CCR 702-3(3-5-1(VII)(K)). In the event the Company is unable to provide such documentation, it should be required to provide evidence that it has amended its annual filing procedures so that those procedures anticipate filing of the Colorado Uniform Financial Reporting Plan (Schedule A). The Company should also be required to provide written assurances that it will annually file sufficient financial data to allow the Commissioner to determine whether the insurers rates are inadequate, excessive, or unfairly discriminatory and otherwise assure future compliance with Colorado financial reporting and filing laws.

Issue Q: Failing to respond to Market Conduct Examination Comment Forms within the prescribed regulatory time period and/or failing to respond to Market Conduct inquiries.

3 CCR 702-6(6-2-2)(4)(B) & (C) adopted in part to the authority granted under §§10-1-109, 10-2-104, 10-3-1110(1), 10-16-109 and 10-1-108(16) C.R.S. sets forth the time period in which all persons shall respond to Market Conduct Examination Comment Forms and provides that:

> B. Unless a longer time period is specified in the request, every insurance company shall provide a complete response to Market Conduct Examination Comment Forms within five business days from the date of the receipt of the form.
>
> C. If additional time to respond is required, the person shall request an extension by letter to the Division employee or examiner making the inquiry. The request shall be made within the original response period established in sections (A) and (B) above, and shall state in detail the reasons necessitating the extension. When a request for extension is granted, the person shall respond within the new time period granted by the Division employee or examiner.

In accordance with the regulation cited above and procedures established by the Colorado Market Conduct Examiner's Handbook, the examiners request the appropriate Company representative to sign a Comment Forms Procedure Acknowledgement Form. The language from the regulation prescribing the 5-day response period was prominently displayed on the Acknowledgement Form in red bold type. The Company's representative signed the Acknowledgement Form on August 8, 1999, shortly after the inception of this Market Conduct Examination.

TITLE CLAIMS SUBMITTED - 1997

Population	Sample Size	Number of Exceptions	Percentage to Sample
149	149	50	34%

The market conduct examination resulted in some 149 Comment Forms.[10] The Company failed to respond 50 of the 149 comment forms (34% of all Comment Forms) within the 5-day period prescribed under the regulation cited above. The Company's failure to timely respond to Market Conduct Comment Forms resulted in delays ranging between 8 and 66 days.

The following chart illustrates the Company's response time to the 149 Comment Forms generated in the course of this Market Conduct Examination:

[10] The term "Comment Form" is defined by 3 CCR 702-6(6-2-2) to include any written request made by the examiners.

Company Response Time to Examiner Comment Forms	**Total Number of Comment Forms**
1 to 5 days	99
6 to 10 days	**0**
10 to 20 days	**7**
20 to 30 days	**35**
Over 30 days	**8**

In addition to the above, the Company failed to respond to other examiner requests for additional information pertinent to the examination. Specifically, the examiners' review of the Company's claims manuals indicated that a majority of Company adjuster notes, file updates, ticklers and other related claims handling material were maintained and/or stored electronically. Based on this finding the examiners requested the Company to provide copies of all adjuster notes and/or all other claim information stored and/or maintained electronically and not already provided for each of the claims selected by the examiners for review. In response to the examiners' request, the Company forwarded the Company's Claims Management System Claim Card Report for several claim files systematically selected by the examiners for review.

Although the Company provided the Claim Card Reports electronically stored in the Company's Claims Management System, several Company responses to examiner Comment Forms resulting from review of the Company's 1998 claim files demonstrated that the Company failed to provide the examiners with all electronically stored information as requested.

Specifically, although the examiners requested the Company to produce copies of all electronically stored information for each claim file reviewed and the Company had responded by providing the Company's Claims Management System Claim Card Report for each file, the Company continued to produce additional electronically stored information not given to the examiners. In producing the additional electronically stored material, the Company admitted it failed to provide the requested information despite the examiners' prior request. Specifically, the Company stated:

> Chicago Title Insurance Company has the Claims Litigation Management System ("CLMS") in place on a national basis. CLMS is a computer software program capable of tracking and storing many significant events affecting the administration of a claims file. In an effort to conserve resources, be more efficient, lower operating costs and un- cluttering our claims files, we often allow CLMS to record the issuance of an acknowledgment letter. **Numerous files which are the subject of the examiner's inquiry will not contain a physical hard copy of the acknowledgement letter,** although the required acknowledgment letter was sent. This is one such file.

Furthermore, given the nature of the title insurance contract and the propensity of title insurance agents to attempt to adjust claims and cure title defects at the agency level, the examiners requested the Company to provide the following information:

1. A list of all claims (or inquires regarding coverage) submitted to each Company agent during 1998 which were not reported, submitted or otherwise turned over to or paid or denied by the Company or a Company claims agent.

2. Copies of any manuals, memorandums, directives, procedures, letters, guidelines or any materials used by Company agents to handle claims (inquires);

3. Indicate whether any agencies have an employee or employees specifically designated to handle claims.

The Company response to the above-cited request indicted that, in 1998, the Company did not furnish or possess any claims memorandums, directives, procedures, letters, guidelines or manuals designed to address claims adjustment at the agency level. Furthermore, the Company's response indicated that no record of a claim was maintained at the agency level because the Company's policy mandated all claims received by Company agents to be forwarded to the Company immediately, the Company did not allow agents to adjust claims. Several Company responses to examiner Comment Forms, however, demonstrated that the Company was often aware of circumstances where Company agents undertook to adjust and/or settle claims and the Company acquiesced to agent's attempts to adjust and/or settle claims.

TITLE CLAIMS SUBMITTED - 1998

Population	Sample Size	Number of Exceptions	Percentage to Sample
45	45	10	22%

An examination of 45 claim files, representing 100% of all claims submitted to the company in Colorado during 1998, showed 10 instances (22% of the sample) wherein Company representatives failed to respond to comment forms in a timely manner and/or failed to produce information requested by the examiners.

In 7 of the 10 reported instances the Company produced electronically stored file documentation that was not included in the original claim file provided to the examiners for review or otherwise provided upon the examiners' request. In the remaining 3 instances the Company declined to accept responsibility for delays in processing claims or inadequate documentation of claim files because the Company "believed" the agent was handling the claim. Notwithstanding the fact that the Company allowed the agent to adjust a claim in these instances, the Company declined to provide the examiners with information pertaining to agency adjustment of claims.

Recommendation #17:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered to be in violation of 3 CCR 702-6(6-2-2). In the event the Company is unable to provide such documentation, the Company should be required to provide evidence that it has reviewed its internal procedures regarding monitoring and responding to Colorado Market Conduct Inquiries and has implemented procedures which will facilitate prompt responses to all inquiries from the Colorado Division of Insurance and/or its duly appointed representatives and which will assure future compliance with the timely response requirements of 3 CCR 702-6(6-2-2).

SUMMARY OF RECOMMENDATIONS

for

EXAMINATION REPORT ON CHICAGO TITLE INSURANCE COMPANY

RECOMMENDATION NUMBER	PAGE NUMBER	TOPIC
1	12	**Issue A:** Failure to maintain minimum standards in a record of written complaints.
2	16	**Issue B:** Failure to provide written notification to prospective insureds of the Company's general requirements for the deletion of the standard exception or exclusion to coverage related to unfiled mechanic's or materialman's liens and/or the availability of mandatory GAP coverage.
3	18	**Issue C:** Misrepresenting the benefits, advantages, conditions or terms of insurance policies by omitting applicable endorsements.
4	20	**Issue D:** Failure to obtain written closing instructions from all necessary parties when providing closing and/or settlement services for Colorado consumers.
5	25	**Issue E:** Failure to follow Company underwriting procedures and/or guidelines and/or failing to make a determination of insurability in accordance with sound underwriting practices.
6	27	**Issue F:** Issuing title insurance policies without obtaining a certificate of taxes due.
7	40	**Issue G:** Failure to provide adequate financial and statistical data of past and prospective loss and expense experience to justify certain title insurance premium rates.
8	45	**Issue H:** Using rates and/or rating rules not on file with the Colorado Division of Insurance and/or misapplication of filed rates.

SUMMARY OF RECOMMENDATIONS

for

EXAMINATION REPORT ON CHICAGO TITLE INSURANCE COMPANY

RECOMMENDATION NUMBER	PAGE NUMBER	TOPIC
9	49	**Issue I:** Failing to file a schedule of fees and charges for closing and settlement services with the Colorado Division and/or using closing and settlement service fees and charges not on file with the Colorado Division of Insurance.
10	53	**Issue J:** Engaging in unfairly discriminatory rating practices and/or failing to adhere Company schedule of closing and settlement service fees and expenses.
11	61	**Issue K:** Failure to adopt and/or implement reasonable standards for the prompt investigation of claims.
12	69	**Issue L:** Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear**.**
13	71	**Issue M:** Failure to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.
14	74	**Issue N**: Failure to produce and/ or maintain adequate records for market conduct review.

SUMMARY OF RECOMMENDATIONS

for

EXAMINATION REPORT ON CHICAGO TITLE INSURANCE COMPANY

RECOMMENDATION NUMBER	PAGE NUMBER	TOPIC
15	75	**Issue O:** Making claims payments to insureds or beneficiaries without including a statement setting forth the coverage under which the payment is being made.
16	78	**Issue P:** Failure to file a Colorado Uniform Financial Reporting Plan and/or failure to submit an annual filing of sufficient financial data to justify Company rates.
17	82	**Issue Q:** Failing to respond to Market Conduct Examination Comment Forms within the prescribed regulatory time period and/or failing to respond to Market Conduct inquiries.

EXAMINATION REPORT SUBMISSION

Independent Market Conduct Examiners
Duane G. Rogers, Esq.,
&
J. Reuben Hamlin, Esq.,
participated in this examination and in the preparation of this report.